GULF CANADA

Gulf

1968 ANNUAL REPORT

GULF OIL CANADA LIMITED

Founded in 1906

Gulf Oil Canada Limited · 1968 Annual Report

Contents

HIGHLIGHTS OF OPERATIONS

	1968	1967*
FINANCIAL		
Earnings for the year	$ 48,143,000	$ 44,725,000
Per share	$ 2.13	$ 2.04
Total dividends to shareholders	$ 24,673,000	$ 24,086,000
Rate per share at year-end	$ 1.10	$ 1.10
Shareholders' equity at year-end	$650,607,000	$606,152,000
Per share	$ 28.78	$ 27.65
Capital expenditures	$ 87,815,000	$ 72,404,000
Working capital	$211,065,000	$184,897,000
Long term debt	$114,685,000	$ 69,197,000

OPERATING		
	Millions of cubic feet	
Net natural gas produced and sold	115,296	103,669
	Thousands of barrels	
Net crude oil and natural gas liquids produced	29,308	27,101
Crude oil processed by and for the Company	71,336	69,850
Refined products sold	74,655	76,353
	Thousands of pounds	
Petrochemical sales	454,645	471,933

**Restated to be comparable with 1968*


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AGENTE DA COMPANHIA DE PETROLEOS
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聯發行有限公司
高富石油氣
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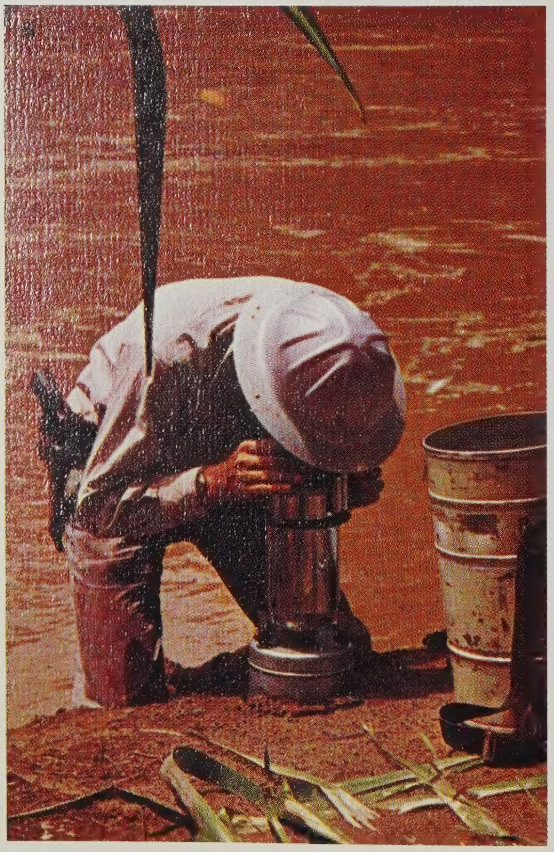

1 Sales office in Portuguese Macao 2 Refining operations in Korea 3 Laser research in Harmarville, Pennsylvania 4 Marketing operations in Sweden 5 Geophysical activity in Bolivia 6 Research at Gulf General Atomic, San Diego, California 7 Service station in Italy 8 Huelva refinery in Spain


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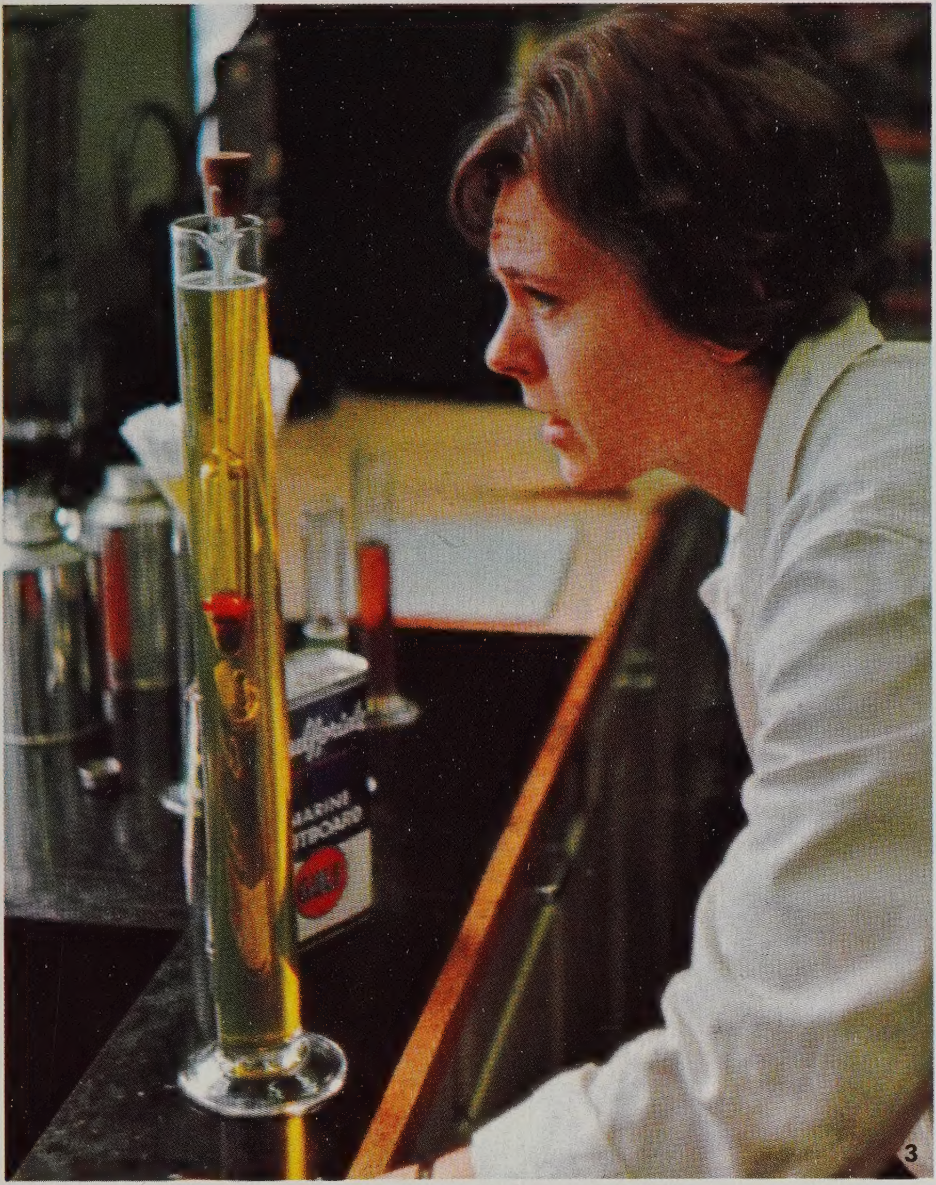

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1 Lube oil plant, Formosa 2 Service station in Norway 3 Quality control lab in Switzerland 4 Marine bunkering facilities in Holland 5 Supertanker near Japan 6 Europoort refinery in Holland 7 Drilling operations in Nigeria 8 Offshore drilling near Cabinda, West Africa

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REPORT TO SHAREHOLDERS

The Company began 1969 with the new name, Gulf Oil Canada Limited – another major milestone in the long history of The British American Oil Company Limited. In assuming the name Gulf Canada, the Company is not becoming less Canadian, but rather becoming a stronger Canadian member of the world-wide Gulf organization. The closer association with an international organization presents an exciting challenge and a broader range of opportunities for the future.

The program to convert all identification to Gulf Canada is proceeding smoothly. Gulf Canada products began to appear in service stations in January, and the complete conversion program is expected to be concluded by mid-year.

The year 1968 was one of continued growth for Gulf Canada, with consolidated net earnings recording a new high of $48.1 million, up 7.6 per cent over the 1967 figure of $44.7 million, restated on the same basis as 1968. Per share earnings amounted to $2.13 in 1968, compared with $2.04 in 1967. The financial and operating results, including the basis of the restatement referred to above, are commented upon in more detail later in this report.

Significant highlights during 1968 included a major natural gas discovery at Strachan, in central Alberta; commencement of construction of a new 60,000 barrel-per-day refinery at Point Tupper, Nova Scotia, and of a 10,000 barrel-per-day expansion of the Company's refinery at Port Moody, British Columbia; addition of major petrochemical facilities at the Varennes, Quebec, plant of Shawinigan Chemicals; completion of a system of pipe lines to link Montreal East refinery with the Varennes plant; announcement of a new 80,000 barrel-per-day refinery at Edmonton, Alberta; acquisition of the remaining one-third interest in Shawinigan Chemicals Limited; sale of $50 million of the Company's debentures; and a comprehensive manpower development program.

As previously reported, shareholders approved the proposal to amalgamate British American and its affiliates – Royalite Oil Company, Limited and Shawinigan Chemicals Limited – under the name of Gulf Oil Canada Limited, subject to the receipt of favorable U.S. tax rulings confirming that the transaction will not represent a taxable gain to U.S. shareholders of British American. The Company has been advised that these rulings will be issued in the near future. Upon their receipt, an application will be made immediately for letters patent confirming the amalgamation agreement.

The Canadian economy moved ahead in 1968 with increased momentum following a levelling off in 1967, and the economic outlook continues to be healthy. The petroleum industry contributed materially to the economic advancement. Substantial growth in crude oil and natural gas production, and in consumption of petroleum products, was accompanied by a record level of revenues and expenditures.

Canadian production of crude oil and natural gas liquids in 1968 averaged 1.1 million barrels per day, a 6.8 per cent increase over 1967. Sales to United States markets in 1968 averaged 464,000 barrels per day, a gain of twelve per cent over 1967, a year which had seen a sharp increase in exports when world supply patterns were temporarily disrupted following the outbreak of hostilities in the Middle East and the closure of the Suez Canal.

Of particular significance in 1968 was the discovery of a potentially major oil field at Prudhoe Bay in northern Alaska. If present indications are proven, the Prudhoe Bay discovery could rank among the most important developments in the history of the North American oil industry and have a far-reaching impact on the Canadian industry. The discovery has already resulted in stepped-up land acquisition and exploration activity in the far north, and future exploration could broaden the Canadian oil scene to involve the whole of the Canadian Arctic.

In February, 1969, three major oil companies announced plans to follow a Trans-Alaskan route to the Gulf of Alaska in building a pipe line to carry crude oil from Prudhoe Bay. This decision, however, does not preclude the possibility of a pipe line being built from Alaska to Edmonton via the Mackenzie Delta as new reserves are proven.

In view of the tremendous future energy requirements of the continent, there is an unquestionable need for development of the new sources of oil now in prospect in Alaska and Canada. The difficulties inherent in an orderly development of these potentially

prolific sources in relation to existing sources and the transportation facilities by which the crude will be brought to market require a broad perspective and close co-operation between industry and government in the formulation of policies to ensure that both Canada and the U.S. achieve maximum benefit from their oil resources.

Natural gas sales in Canada rose by over 12 per cent in 1968, with both domestic and export markets showing impressive growth. Activity during the year embraced exploration and development of new reserves in Western Canada, additional pipe line facilities, particularly the 1,000 mile Great Lakes transmission line to Eastern Canada, and gas plant expansion and construction. These developments combine to promise a continuing bright future for Canada's natural gas industry.

The increased demand for natural gas, together with expanding sour gas facilities, resulted in a 40 per cent gain in the production of elemental sulphur. Canada maintained second position among world sulphur-producing countries. A slowdown in the rate of growth in demand in world markets resulted in some price reductions and stock-piling during 1968, but the long term outlook continues to indicate steady growth in sulphur requirements.

Petroleum product demand continued to reflect the strong Canadian economy. An increase of 6.5 per cent in total consumption of petroleum products was accompanied by some firming of prices. Plans for refinery expansion and product distribution are generally following a trend to larger facilities with associated economies of scale, essential to the industry's continuing improvement in efficiency and productivity.

The moderate recession in the chemical industry eased in 1968, with product demand and prices showing some improvement. Because of limited production facilities, many Canadian chemical plants have been unable to compete against larger U.S. plants. However, this situation is now being improved with the construction of chemical plants in Canada which are large enough to compete in world markets.

Since our last Annual Report, J.D. Barrington was elected a Director of Gulf Canada, and R.A. Laidlaw, a Director for over 17 years, was elected a Director Emeritus.

G.O. Relf, formerly Vice-President of Exploration and Production, Gulf Oil Company – Eastern Hemisphere, was appointed a Vice-President of Gulf Canada, succeeding S.G.B. Pearson, who is now responsible for Gulf Exploration in Europe, Africa, and the Middle East. J.L. Stoik, formerly the Company's General Manager of Manufacturing, was appointed a Vice-President.

It is with deepest regret that we record the death of William K. Whiteford on September 11, 1968. Mr. Whiteford was President of Gulf Canada from 1943 to 1951. He later served as President and Board Chairman of Gulf Oil Corporation, retiring in 1965.

On behalf of the Directors, we acknowledge with gratitude the continued confidence of our shareholders, the dedicated efforts and service of our employees and dealers, and the valued patronage of our customers. We greatly appreciate this loyal support.

On behalf of the Board,

Chairman of the Board.

President.

Toronto, Ontario, March 24, 1969.

GULF CANADA

EXPLORATION AND PRODUCTION

Net production of crude oil and natural gas liquids by Gulf Canada and its affiliates in 1968 amounted to 80,000 barrels daily, compared with 74,000 barrels daily the previous year. Net natural gas produced and sold, at 315 million cubic feet daily, was eleven per cent higher than the 284 million cubic feet daily in 1967.

Development drilling, at 108 gross wells, was up substantially from the 62 completions in 1967. The increase was the result of continuing development at Zama-Virgo in northwestern Alberta where the area of interest was enlarged by further wildcat drilling, with seven out of 12 tests succeeding.

Of the 34 exploratory wells drilled by Gulf Canada, the most significant was a gas discovery at Strachan, 60 miles west of Red Deer, Alberta. This success, which encountered a substantial thickness of gas-bearing Leduc reef, will result in further exploration and development in this area where the Company's excellent land picture was further improved during the year by major acreage acquisitions. In February, 1969, a contract was signed with Trans-Canada Pipe Lines Limited to market Gulf Canada's gas reserves in a 100 square-mile block in the Strachan area. The discovery of major oil reserves at Prudhoe Bay in northern Alaska has enhanced the prospects of Gulf Canada's acreage along the Canadian Arctic coast where the Company has a one-third interest in a deep wildcat well currently drilling at Tununuk in

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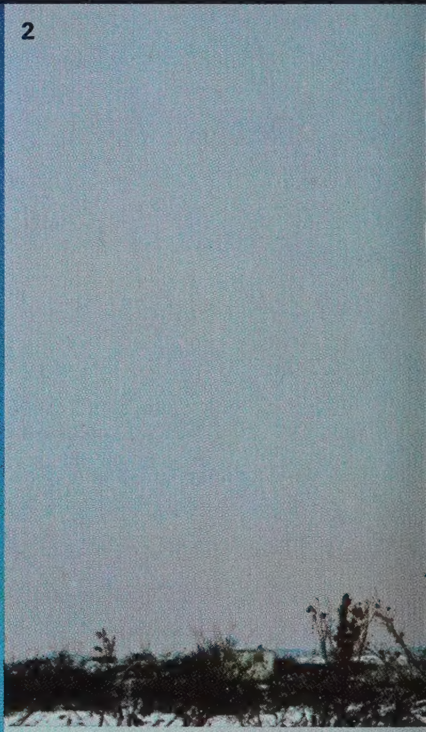

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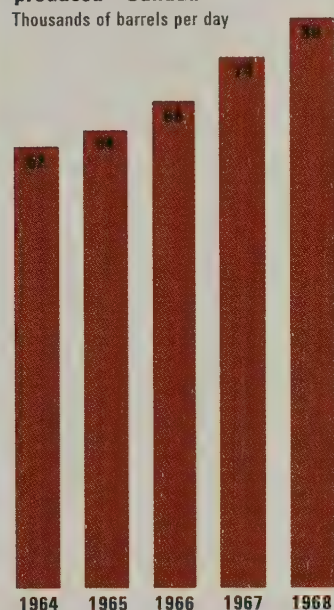
the Mackenzie Delta. Acreage in this area was upgraded significantly during the year and, at year-end, holdings in the Northwest Territories and Yukon totalled over ten million acres. Acreage on the East Coast was also increased. At the year-end Gulf Canada held a total of 29.4 million net acres, up 5.6 million acres over the 1967 inventory.

Gulf Canada's year-end recoverable reserves, before royalty, are estimated to be 623 million barrels of crude oil and natural gas liquids, 3.2 trillion cubic feet of marketable natural gas, and 4.7 million long tons of sulphur. On a net basis after royalty, these reserves are estimated to be 538 million barrels of crude oil and natural gas liquids, 2.8 trillion cubic feet of marketable natural gas, and 4.3 million long tons of sulphur.

Well completion data–Canada

			Exploratory		
Gross wells	1968	1967	1966	1965	1964
Successful–oil	8	4	3	6	5
–gas	4	4	7	15	12
Dry holes	22	24	43	59	52
Total	34	32	53	80	69
Net wells					
Successful–oil	7	4	2	4	4
–gas	2	4	6	14	7
Dry holes	13	16	32	47	42
Total	22	24	40	65	53
			Development		
Gross wells	1968	1967	1966	1965	1964
Successful–oil	60	26	48	43	98
–gas	39	29	19	36	24
Dry holes	9	7	12	25	24
Total	108	62	79	104	146
Net wells					
Successful–oil	35	16	26	25	61
–gas	5	6	3	18	9
Dry holes	3	5	9	22	19
Total	43	27	38	65	89

Net crude and natural gas liquids produced—Canada
Thousands of barrels per day



Net natural gas produced and sold—Canada
Millions of cubic feet per day

Net oil and gas wells capable of producing at year-end—Canada

1 Significant gas discovery was made at Strachan, west of Red Deer, Alberta **2** Gulf Canada has one-third interest in a second well being drilled in the Mackenzie River Delta **3** Seismic operations were carried out in Northwest Territories where Gulf Canada added 3.2 million acres during 1968 **4** Rimbey, Alberta, gas processing plant

SUPPLY AND TRANSPORTATION

Prices of domestic crude oil in 1968 were generally stable. Higher ocean freight costs on imported crudes, caused by the continued closure of the Suez Canal, were minimized by realignment of supply sources.

The impact of increases in rail and truck freight rates, introduced on July 1, was almost completely offset by improved planning and use of transportation equipment.

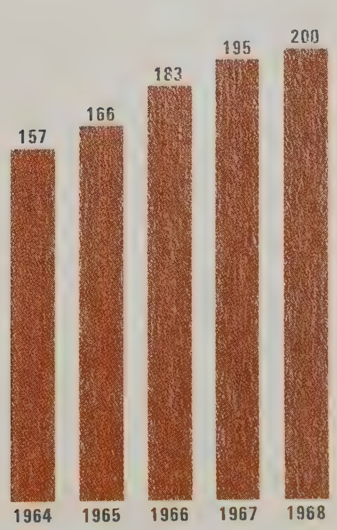
A pipe line system joining Shawinigan Chemicals' plant at Varennes, Quebec, with Gulf Canada's Montreal East refinery and Union Carbide's plant began operating in October. The system provides cheaper transportation for the feedstocks and products being exchanged between these plants.

Early in 1969 Gulf Canada applied for permission to build a 185 mile pipe line to transport petroleum products from Edmonton to Calgary. Completion of the pipe line would be timed to coincide with the start-up in early 1971 of the Company's expanded Edmonton refinery.

During the year, 46 million barrels of crude oil and natural gas liquids were transported through Company-operated pipe lines, four million barrels more than in 1967.

New 11,000 gallon tank transport is one of 2,000 vehicles to carry the new Gulf Canada identification

Crude oil and refined products transported—Canada
Millions of barrels



MANUFACTURING

Crude oil and condensate processed at the Company's nine refineries in 1968 totalled 69.8 million barrels, up one per cent over last year. Almost 99 per cent of the processing capacity was used.

A 50 per cent expansion of the crude oil processing facilities at the Port Moody, British Columbia, refinery, to approximately 30,000 barrels per day is going ahead on schedule. The first phase of the project will be completed in the Fall of 1969, with the second phase presently planned for 1971-72. At Point Tupper, Nova Scotia, construction of a new 60,000 barrel-per-day refinery, including docking and tankage facilities to accommodate super tankers, is also proceeding satisfactorily with completion scheduled for late 1970.

In line with the Company's stated policy to meet or exceed pollution control requirements, facilities will be built at Point Tupper for air and water pollution control, and sulphur recovery plants will be installed at both Point Tupper and Port Moody.

Following detailed studies of prairie operations, a new 80,000 barrel-per-day refinery will be built adjacent to and replacing the present 14,000 barrel-per-day refinery at Edmonton, Alberta. Completion is scheduled for the Spring of 1971. Edmonton is convenient to crude oil supplies, and its central loca-

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tion will permit pipe line transfer of products to major points in Western Canada with minimum backhaul.

The results of a separate study led to the decision to close the Company's 4,000 barrel-per-day Brandon, Manitoba, refinery on April 1, 1969.

At the Clarkson, Ontario, refinery, a new saturate gas plant has improved the recovery of marketable light ends and up-graded the octane characteristics of gasoline.

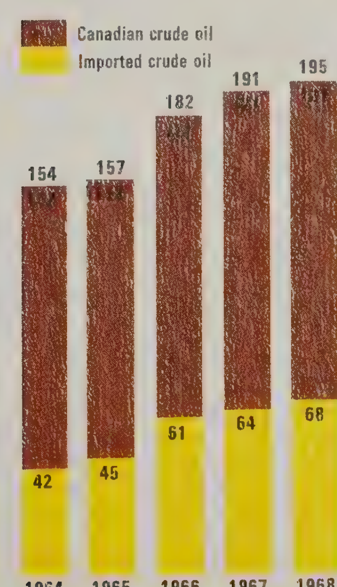
Refinery crude processing capacity

	Barrels per stream day
Montreal East, Quebec	75,000
Clarkson, Ontario	61,500
*Brandon, Manitoba	4,000
Moose Jaw, Saskatchewan	15,000
Saskatoon, Saskatchewan	8,300
Calgary, Alberta	10,000
Edmonton, Alberta	14,000
Kamloops, British Columbia	6,500
Port Moody, British Columbia	20,000
Total	214,300

*Refinery will close on April 1, 1969.

1 The first phase of a 50 per cent expansion of capacity at Port Moody, British Columbia, refinery will be completed in 1969 **2** A new 80,000 barrel-per-day refinery will replace the existing refinery at Edmonton, Alberta

Crude oil processed by and for the Company
Thousands of barrels per day



MARKETING

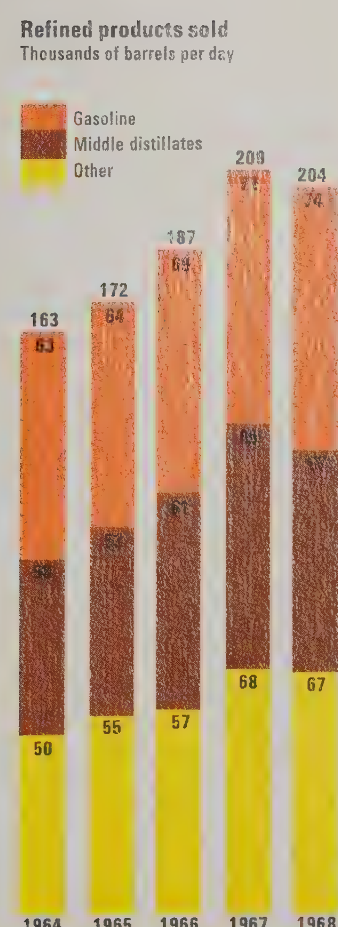
A decrease of 2.5 per cent in total sales of refined petroleum products in 1968 was attributable to foregoing some large-volume, long-discount business which would not have made any material contribution to profits. Gains were recorded in sales of gasoline, particularly through service stations, asphalt, lubricating oils, and propane.

Although some product prices were increased during the year, unrealistically low prices still prevail in many areas of the market. Gasoline and motive fuel taxes have risen to a level where motorists in all provinces are now paying approximately the same amount in taxes as Gulf Canada receives from the sale of its products.

As a result of the decision to adopt the Gulf Canada name, products bearing Gulf Canada identification were introduced in the early months of 1969. Service stations, bulk plants and other facilities will be changed to the new identification between April 1 and May 15, 1969. To assist in promoting the new corporate image, the comedy team of Wayne and Shuster are acting as advertising personalities for Gulf Canada on radio and television.

Another encouraging aspect of marketing operations in 1968 was the substantial increase in the use of the Travel Card. A further gain is anticipated in 1969 when a larger share of the U.S. tourist business is expected to result from the new Gulf identification.

1 Gulf Canada identification will be completed at over 5,000 service station locations by mid-1969 **2** Company's largest automotive diagnostic and repair centre began operating last summer in Toronto **3** Newly-designed service station uniforms reflect modern corporate image **4** Customers using Gulf Canada Travel Cards at Holiday Inns substantially increased in 1968



EMPLOYEE AND PUBLIC RELATIONS

During 1968 Gulf Canada completed a comprehensive manpower evaluation program to develop qualified people to meet anticipated organizational needs. Each department throughout the Company conducted a performance evaluation and potential appraisal of all supervisory employees, and developed an integrated plan for development of their abilities.

Also introduced during the year, to supplement existing programs, were a corporate management course at the University of Western Ontario and a one-week development training program for supervisors.

In addition to the continuing program of public relations activities aimed at maintaining the Company's strong corporate identity and collaborating with operating departments on special projects, particular attention was paid during the year to the counselling, preparation, and communications related to the conversion and amalgamation program.

Major emphasis was directed to employees to acquaint them with the advantages of the new corporate identification ; with shareholders, customers, dealers, and agents also being given fullest possible information as to the significance of the corporate changes. Many media were involved in these operations – print, person-to-person, film, slides – for communicating with all 11,000 employees in a compressed period.

Use of computers at data centres provides better, faster customer service

RESEARCH AND DEVELOPMENT

The Research and Development Department continued its programs aimed at keeping Gulf Canada in the forefront of technological development in the industry.

Improved products, including a complete range of motor oils, supported the Company's competitive position in the market-place. Among new products developed were a rock drill oil, an extreme pressure lubricant, a special gear lubricant, a food machinery grease, anti-wear hydraulic oils, and various asphalt formulations.

A technical manual on air and water conservation research programs was prepared and issued to all Gulf Canada pollution control personnel. Techniques for determining concentrations of various substances in air were made available to operating departments, and assistance was given in making air-quality surveys at several plants.

Expertise was increased in physical chemistry and asphalt research during the year, and research studies progressed in the development of specialty products, especially rubber and plastic process oils, and the synthesis of new chemicals based on petroleum raw materials.

Researchers continue to probe complexities of petroleum and petrochemical composition

ROYALITE OIL COMPANY, LIMITED

The 1968 earnings of Royalite Oil Company, Limited amounted to $4,429,000, or $1.48 per share, compared with $4,280,000, or $1.42 per share in 1967.

Higher refined product sales, improved prices, and more economical supply arrangements were partially offset by lower crude oil sales as a result of a decline in production from southeastern Saskatchewan fields. New production from the Zama Lake area of Alberta became available only in the latter part of the year, and exploration expense was higher as a result of an expanded program.

SHAWINIGAN CHEMICALS LIMITED

Sales of Shawinigan Chemicals Limited and its affiliates in 1968 remained at the previous year's levels. Volumes were affected by keen world-wide competition, while price erosion in major product lines, including organic chemicals and plastics, continued in the early part of 1968. The latter part of the year showed improvement in both volumes and prices, an indication that the problems of oversupply in the chemical industry are easing.

Efforts were continued to direct the company's business into more profitable growth areas, particularly those related to raw materials provided from petroleum operations.

Two major projects under construction at Varennes – the new ethylene unit and expansion of vinyl chloride facilities by the oxychlorination process – are nearing completion. Raw material feedstocks and finished products are now being transferred between Gulf Canada's Montreal East refinery and the petrochemical works at Varennes via a new pipe line system under the St. Lawrence River.

A fire at the petrochemical works at Varennes in April, 1968, closed operations for 30 days. During the year, facilities producing sodium cyanide, sulphuric acid, caustic and chlorine at the Shawinigan East division were closed down; suitable contracts were made with other companies to purchase products to fulfill customer contracts and to meet intra-plant requirements.

SUPERIOR PROPANE LIMITED

During 1968 Superior acquired land in Prince Edward Island and Newfoundland with a view to establishing bulk propane service in both provinces early in 1969. In the other provinces, substantial progress was made in volumes sold and in reduction of distribution costs.

Damp harvest conditions in the prairies resulted in a substantial increase in the use of propane to dry crops. In addition, recently-developed uses for propane in the purification of copper, diamond drilling, shaft mining, preservation of perishables, and in carbon dioxide generators in greenhouses combined to make a considerable contribution to higher volumes and earnings in 1968.

It is anticipated that the propane market in Canada will continue to expand in 1969 and that Superior will participate in this growth.

WESTERN TIRE AND AUTO SUPPLY LIMITED

Sales of merchandise rose over 20 per cent, mainly as a result of the addition of six new auto centres – at Bathurst and Campbellton, New Brunswick; Charlesbourg and Laval, Quebec; Hanmer and Sudbury, Ontario – and the opening of seven new franchise stores.

Although 1968 petroleum product sales decreased by 6.3 per cent because of foregoing some large-volume, marginal-profit business, gasoline sales were up 40 per cent. An increase in the price of heating fuels contributed to improved earnings.

The Company in 1968 adopted the allocation method of accounting for income taxes with respect to items other than exploration and development expenditures. Under this method, the provision for income taxes each year is computed on the basis of the depreciation and certain other expenses charged against earnings rather than the related amounts claimed as deductions on the companies' tax returns. The 1967 results, shown in this report for comparative purposes, have been restated to reflect this change. In addition to the adjustment of income taxes in each of the years, retained earnings have been reduced and deferred taxes have been increased by the amount required to cover prior years. Details and explanations of this change in accounting policy are contained in note 7 (a) to the financial statements.

Earnings for 1968 amounted to $48.1 million, an improvement of $3.4 million over the restated 1967 earnings. The 1968 earnings were equivalent to $2.13 per share, compared with $2.04 for 1967, based on the number of shares outstanding at the end of each year. During 1968 the Company issued 644,485 shares for Gulf Oil Corporation's one-third interest in Shawinigan Chemicals Limited and 100 per cent interest in Perkins Glue Company of Canada, Limited. In addition, 40,465 shares were issued under the Incentive Stock Option Plan.

As shown in the comparative statements of earnings on page 24, net sales and operating revenues, at $616.8 million, were increased $20 million over 1967. This improvement was attained despite a slight decrease in volumes of refined products sold, the result of foregoing large volumes of long-discount business which would not have made any material contribution to profits. An increase of $12.3 million in operating, selling and administrative expenses in 1968 reflected not only increased exploration expenditures and production volumes, but also the continuation of rising costs of labor and materials. In the face of rising costs, improvement in productivity, through more effective employment of manpower and capital resources, is of vital importance in maintaining profit margins. The charge for depreciation, depletion, and amortization of $45.5 million was up $4.5 million, while taxes on income of $23.2 million were reduced $2.1 million from 1967.

The graph headed "Source and Use of Funds" reflects the receipt of the proceeds from the sale of $50 million 7⅜ per cent debentures issued September 1, 1968. As a result of this new financing and higher funds from operations, working capital, at $211 million, was increased $26.1 million during 1968, compared with a decline of $24.2 million in 1967. Table I provides an analysis of this working capital change.

Table II shows a comparative analysis of capital expenditures by major operating segments. The 1968 expenditures of $87.8 million for properties, plants and equipment were the highest in recent years. Construction of new refineries at Point Tupper, Nova Scotia, and Edmonton, Alberta, will require even heavier outlays over the next two years. Cash and short term investments of $68.6 million at December 31, 1968, together with the normal flow of funds from operations, are considered adequate to meet cash requirements in 1969.

The shareholders' equity in the net assets of the Company amounted to $650.6 million, or $28.78 per share, at the year-end. This equity reflects the effect of establishing deferred income taxes on the balance sheet retroactively, as previously mentioned, as well as the write-off of obsolete and abandoned plant in 1968 in the net amount of $3.3 million.

A statement of operating statistics and a restated financial summary for the past five years are shown on pages 31 and 32.

Table I Working Capital

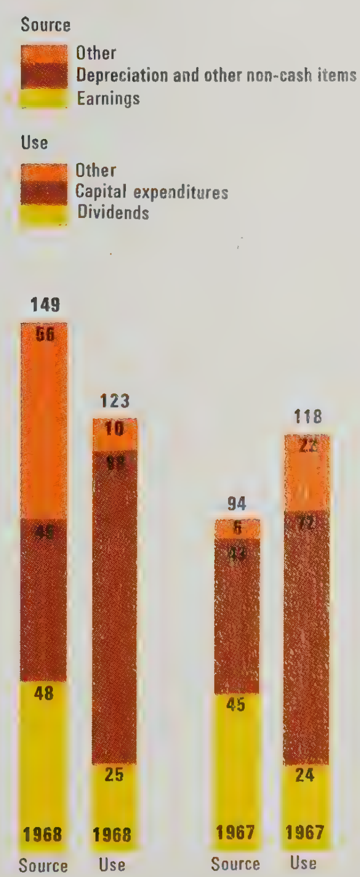
Millions	December 31 1968	1967	Change
Cash and marketable securities	$68.6	$66.6	$ 2.0
Accounts receivable	134.5	119.8	14.7
Inventories	109.2	106.9	2.3
Prepaid expenses	5.8	5.5	.3
Total current assets	318.1	298.8	19.3
Less current liabilities	107.1	113.9	(6.8)
Working capital	$211.0	$184.9	$26.1

Table II Expenditures on properties, plants and equipment

	1968		1967	
	Millions	Per Cent	Millions	Per Cent
Production	$29.3	33.4	$19.5	26.9
Transportation	1.6	1.8	3.2	4.4
Refining	8.9	10.1	8.7	12.0
Petrochemicals	23.8	27.1	11.6	16.0
Marketing	22.3	25.4	26.3	36.4
Other	1.9	2.2	3.1	4.3
Total	$87.8	100.0	$72.4	100.0

Summary of earnings
Millions of dollars

Source and use of funds
Millions of dollars



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December 31, 1968 (with comp

ASSETS	1968	1967
CURRENT:		
Cash	$ 16,450,000	$ 18,187,000
Short term investments, at cost (approximates market value)	52,146,000	48,479,000
Accounts receivable	134,501,000	119,786,000
Inventories (note 3)—		
Crude oil, products and merchandise	101,437,000	99,818,000
Materials and supplies	7,806,000	7,063,000
Prepaid expenses	5,790,000	5,466,000
Total current assets	318,130,000	298,799,000
INVESTMENTS, LONG TERM RECEIVABLES AND OTHER ASSETS:		
Investments in associated and other companies at cost (note 4)	11,735,000	10,900,000
Deposits, long term receivables and other assets	25,741,000	23,308,000
Claim for refund of U.S. taxes paid (note 7(b))	13,128,000	13,128,000
Deferred charges, at cost less amortization	6,830,000	4,994,000
	57,434,000	52,330,000
PROPERTIES, PLANTS AND EQUIPMENT (note 5)	528,579,000	496,652,000
EXCESS OF COST OF INVESTMENTS IN SUBSIDIARIES over values assigned to their tangible assets, less amortization	17,855,000	17,546,000
	$921,998,000	$865,327,000

See accompanying notes to financial statements.

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Oil Company Limited)
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LANCE SHEET

e figures for 1967 (note 13))

LIABILITIES	1968	1967
CURRENT:		
Amounts payable to affiliated companies for crude oil and other purchases	$ 7,234,000	$ 11,564,000
Other accounts payable and accrued charges	66,848,000	64,740,000
Income and other taxes payable (note 7(a))	23,904,000	28,976,000
Current portion of long term debt	2,863,000	2,597,000
Dividends payable	6,216,000	6,025,000
Total current liabilities	107,065,000	113,902,000
LONG TERM DEBT (note 8)	114,685,000	69,197,000
MINORITY INTEREST IN SUBSIDIARIES (note 9)	844,000	22,051,000
DEFERRED INCOME TAXES (note 7(a))	48,797,000	54,025,000
SHAREHOLDERS' EQUITY		
Capital stock (note 9)	277,095,000	252,356,000
Retained earnings	373,512,000	353,796,000
Total shareholders' equity	650,607,000	606,152,000
	$921,998,000	$865,327,000

On behalf of the Board:

C. Hay, Director.

Beverley Matthews, Director.

Gulf Oil Canada Limited
(formerly The British American Oil Company Limited)
and subsidiary companies

STATEMENTS OF CONSOLIDATED EARNINGS

for the year ended December 31, 1968 (with comparative figures for 1967 (note 13))

EARNINGS	1968	1967
REVENUE:		
Gross sales and other operating revenues	$752,724,000	$718,739,000
Less gasoline and fuel taxes	135,930,000	121,900,000
Net sales and other operating revenues	616,794,000	596,839,000
Investment and sundry income	13,133,000	12,259,000
	629,927,000	609,098,000
DEDUCTIONS:		
Purchased crude oil, products and merchandise	271,290,000	271,189,000
Operating, selling and administrative expenses	199,636,000	187,305,000
Taxes, other than taxes on income	37,260,000	35,989,000
Depreciation, depletion and amortization (note 6)	45,547,000	41,005,000
Interest and amortization of discount and redemption premium on long term debt	4,796,000	3,681,000
Income (loss) applicable to minority interests in subsidiaries	111,000	(106,000)
	558,640,000	539,063,000
EARNINGS FOR THE YEAR BEFORE INCOME TAXES	71,287,000	70,035,000
TAXES ON INCOME (note 7(a))—		
Current	24,605,000	23,535,000
Deferred	(1,461,000)	1,775,000
	23,144,000	25,310,000
EARNINGS FOR THE YEAR	$ 48,143,000	$ 44,725,000
Per share of common stock outstanding at the end of each year	$ 2.13	$ 2.04

RETAINED EARNINGS		
Balance, beginning of the year	$353,796,000	$374,650,000
Deduct provision to set up deferred income taxes at January 1, 1967 (note 7(a))	—	41,493,000
Balance, beginning of the year, as restated	353,796,000	333,157,000
Add earnings for the year	48,143,000	44,725,000
	401,939,000	377,882,000
Deduct:		
Dividends on common shares	24,673,000	24,086,000
Provision for obsolete and abandoned plant, $7,085,000 less applicable deferred income tax effect $3,767,000	3,318,000	—
Adjustment for pooling of interest re additional shares of Royalite Oil Company, Limited acquired during year	436,000	—
	28,427,000	24,086,000
Balance, end of the year	$373,512,000	$353,796,000

See accompanying notes to financial statements.

Gulf Oil Canada Limited
(formerly The British American Oil Company Limited)
and subsidiary companies

STATEMENT OF CONSOLIDATED SOURCE AND USE OF FUNDS

for the year ended December 31, 1968 (with comparative figures for 1967 (note 13))

	1968	1967
SOURCE OF FUNDS:		
Earnings for the year	$ 48,143,000	$ 44,725,000
Add back—		
Depreciation, depletion and amortization	45,547,000	41,005,000
Deferred income taxes	(1,461,000)	1,775,000
Other	1,221,000	482,000
Funds from operations	93,450,000	87,987,000
Net book value of fixed asset disposals	4,353,000	5,320,000
Proceeds from debenture issue	49,100,000	—
Proceeds from issue of shares for cash	1,495,000	1,409,000
Other—net	1,212,000	(463,000)
Total	149,610,000	94,253,000
USE OF FUNDS:		
Additions to properties, plants and equipment	87,815,000	72,404,000
Increase in investments and long term receivables	6,442,000	7,153,000
Reduction in long term debt	4,512,000	1,680,000
Payment of U.S. taxes (note 7(b))	—	13,128,000
Dividends on common shares	24,673,000	24,086,000
Total	123,442,000	118,451,000
Increase (decrease) in working capital	26,168,000	(24,198,000)
Working capital beginning of year	184,897,000	209,095,000
Working capital end of year	$211,065,000	$184,897,000

See accompanying notes to financial statements.

Gulf Oil Canada Limited
(formerly The British American Oil Company Limited)
and subsidiary companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1968

1. CHANGE OF NAME

Effective January 1, 1969, by supplementary letters patent dated December 31, 1968, the name of the Company was changed from The British American Oil Company Limited to Gulf Oil Canada Limited and, in French, Gulf Oil Canada Limitée.

2. SUBSIDIARY COMPANIES

The accounts of all subsidiary companies have been included in the consolidation.

3. INVENTORIES

Inventories of crude oil, products and merchandise are valued generally at the lower of cost applied on a "first-in, first-out" basis and market value determined on the basis of replacement cost and net realizable value. Materials and supplies are valued at cost or lower, depending on the condition of the items.

4. INVESTMENTS IN ASSOCIATED AND OTHER COMPANIES

	At cost	
	1968	1967
With quoted market value 1968: $59,466,000; 1967: $60,481,000	$ 6,762,000	$ 6,762,000
Without quoted market value	4,973,000	4,138,000
	$11,735,000	$10,900,000

The market values shown are based on closing market prices at the end of each year. Because of the number of shares involved, the amounts that would be realized if certain of the securities were to be sold might be less than their closing market prices.

5. PROPERTIES, PLANTS AND EQUIPMENT

	Gross investment at cost	Accumulated depreciation, depletion and amortization	Net investment 1968	Net investment 1967
Production	$ 381,490,000	*$164,986,000	$216,504,000	$203,437,000
Transportation	26,407,000	14,763,000	11,644,000	10,614,000
Refining and petrochemicals	339,875,000	192,481,000	147,394,000	137,213,000
Marketing	236,559,000	94,231,000	142,328,000	135,779,000
Other	16,823,000	6,114,000	10,709,000	9,609,000
	$1,001,154,000	$472,575,000	$528,579,000	$496,652,000

**Includes accumulated depletion of $28,673,000 with respect to the acquisition costs of productive properties.*

6. DEPRECIATION, DEPLETION AND AMORTIZATION

Depreciation, depletion and amortization in the statement of consolidated earnings consist of:

	1968	1967
Depreciation of plants and equipment	$34,799,000	$32,387,000
Depletion of acquisition costs of productive properties	1,765,000	1,460,000
Amortization of non-producing properties, drilling costs and other intangible assets	8,983,000	7,158,000
	$45,547,000	$41,005,000

Policies governing depreciation, depletion and amortization are as follows:

(a) Exploration and development costs—
The companies follow the practice of charging to expense, as incurred, the cost of all dry holes and all exploration expenditures except the initial acquisition cost of oil and gas properties. These latter costs together with the costs of successful wells are capitalized and charged against earnings on a unit-of-production or other amortization basis.

(b) Investment in plants and equipment—

Charges are made against earnings for depreciation of investment in plants and equipment based on engineering reviews of the remaining service lives of the assets using either the straight-line or the unit-of-production method, whichever is appropriate.

7. INCOME TAXES

(a) In prior years in arriving at the reported earnings, income taxes were computed on the basis of—

(i) Claiming capital cost allowances and other deductions each year (excluding certain short term accelerated allowances) rather than depreciation or other related charges recorded in the accounts; and

(ii) Claiming exploration and development expenditures to the extent that they were allowable deductions for tax purposes, in the year in which they were incurred, regardless of the treatment followed in the accounts.

For 1968, the companies changed to the income tax allocation method of accounting for income taxes with respect to the timing differences mentioned in (i). This change has been given retroactive effect by restating the 1967 figures (reducing the 1967 tax provision and increasing net earnings by $664,000) and by charging retained earnings as of January 1, 1967, with $41,493,000 to set up the accumulated deferred income taxes to that date in respect of these timing differences.

The companies continued their practice of prior years of not reflecting in income, tax reductions of a short term nature related to certain accelerated capital cost allowances and other deductions. These tax reductions, $13,196,000 at December 31, 1967, (of which $10,757,000 applied to years prior to 1967) have been reclassified from income and other taxes payable and included in the amount of deferred income taxes shown in the accompanying balance sheet.

The Accounting and Auditing Research Committee of the Canadian Institute of Chartered Accountants recommends income tax allocation for all differences in the timing of deductions for tax and accounting purposes which originated in financial years commencing on or after January 1, 1968. However, Opinion 11 of The Accounting Principles Board of the American Institute of Certified Public Accountants does not require tax allocation procedures at this time with respect to intangible development costs in the oil and gas industry. As is the case with many other companies in the industry in Canada, the Company does not believe that tax allocation in respect of exploration and development costs is appropriate at this time. Accordingly, no provision has been made for deferred income taxes on timing differences involving such costs for the year ended December 31, 1968. If the tax allocation basis had been followed with respect to such costs in current and prior years, net income for the year would have been reduced by $4,232,000 ($1,774,000 in 1967) or by $.19 per share ($.08 in 1967) and the cumulative amount of deferred income tax credits to December 31, 1968, related to such costs would have been $37,763,000.

(b) The United States income tax authorities are contending that certain interest-bearing loans made in prior years to the Company by its former U.S. producing subsidiary (sold in July, 1966) were, in fact, dividends on which tax should have been withheld at source and they have issued an assessment on this basis. The Company believes that the assessment is erroneous but, on the advice of counsel as to the best procedure to follow, the tax together with interest and penalties assessed, aggregating $13,128,000, has been paid and suit has been filed for refund of the payment. The outcome of this matter cannot be determined at this time and accordingly the amount of this payment has been included as an asset in the accompanying balance sheet. In the opinion of management, the amount of the refund claim disallowed, if any, would be a proper charge to retained earnings.

8. LONG TERM DEBT

Sinking fund debentures:	Maturity	Amount
Gulf Oil Canada Limited		
3½%, 1954 Issue	1974	$ 9,900,000
5⅛%, Series A	1977	13,600,000
5¾%, Series B	1982	8,250,000
5¼%, Series C (U.S. $16,750,000)	1982	18,108,000
7⅜%, Series D	1978	10,000,000
7⅜%, Series E	1988	40,000,000
Royalite Oil Company, Limited		
4¾% and 5%	1972-1975	12,000,000
Shawinigan Chemicals Limited		
4¾%	1971	2,300,000
Superior Propane Limited		
4% to 6¾%	1975-1980	1,949,000
Other long term obligations of subsidiary companies	varying dates	1,441,000
		117,548,000
Less instalments due within one year included in current liabilities		2,863,000
		$114,685,000

Approximate annual instalments of long term debt due in each of the five years subsequent to December 31, 1968, are as follows:
1969—$2,863,000; 1970—$6,798,000; 1971—$7,614,000; 1972—$5,661,000; 1973—$5,660,000

9. CAPITAL STOCK

Common shares without nominal or par value:

Authorized—34,000,000 shares
Issued —22,608,825 shares (21,923,875 in 1967)

(a) In 1968 the Company issued 644,485 of its shares for an aggregate stated value of $23,245,000 in exchange for the one-third share interest in Shawinigan Chemicals Limited and all the outstanding common shares of Perkins Glue Company of Canada, Limited held by Gulf Oil Corporation.

(b) On November 15, 1968, the shareholders of the Company approved an amalgamation agreement providing for the amalgamation of the Company with Royalite Oil Company, Limited (98.2% owned), Shawinigan Chemicals Limited (100% owned) and Gulf Oil Canada Limited (100% owned), subject to the receipt of certain rulings from the United States Internal Revenue Service. Upon the amalgamation becoming effective, the shareholders of the Company will receive two shares of the Amalgamated Company for each share held and the shareholders of Royalite, other than the Company, 1.2 shares of the Amalgamated Company for each share held. Based on the shares outstanding at December 31, 1968, a total of 45,283,836 shares of the Amalgamated Company will be outstanding. The only change in the consolidated financial position of the Amalgamated Company from that of the Company will be a reduction in minority interests in subsidiaries and a corresponding increase in shareholders' equity ($659,000 at December 31, 1968).

(c) The Company's incentive stock option plan provides for the granting of options to full-time officers and other employees to purchase common shares of the Company at the market price on the day on which the options are granted. Under the plan, options become exercisable after one year's continuous employment immediately following the date the options are granted and are for a period of ten years. During 1968, options on 40,465 shares were exercised for a cash consideration of $1,495,000, options on 3,500 shares expired and no options were granted. Details of common shares under option at December 31, 1968, were as follows:

Year option granted	Normal expiry date	Option price per share	Number of shares
1959	January 20, 1969	$42 9/16	18,000
1960	January 4, 1970	33 13/16	25,135
1961	February 22, 1971	33 15/16	22,700
1962	September 20, 1972	29 13/16	13,650
1965	April 22, 1975	34 ⅝	10,000
1966	February 2, 1976	30 1/16	6,300
1967	October 4, 1977	37 ⅜	40,000
			135,785

Shares under option at December 31, 1968, included 53,050 shares under option to officers of the Company.

10. PENSION PLANS

The companies have funded pension plans covering substantially all of their employees. The contributions by employees together with those made by the companies are deposited with insurance companies and / or trustees according to the terms of the plans. Pensions at retirement are related to remuneration and years of service. The amounts charged to income (including amounts paid to government pension plans) were $4,508,000 in 1968 and $4,048,000 in 1967, which amounts included amortization of prior service costs.

The unfunded prior service pension costs at December 31, 1968, were $6,117,000 and these will be funded in varying amounts over the next ten years. All vested benefits are fully funded.

11. COMMITMENTS AND CONTINGENT LIABILITIES

At December 31, 1968, the Company had entered into contracts and had commenced construction of a 60,000 barrel-per-day refinery at Point Tupper, Nova Scotia, planned for completion in late 1970. The total cost of this new refinery complex, including additional process facilities recently authorized, is estimated at $64,000,000. The Company has also announced plans to construct a new 80,000 barrel-per-day refinery at Edmonton, Alberta, scheduled for completion in mid-1971 at an estimated cost of $75,000,000. The Company is committed to estimated expenditures of $6,000,000 for completion of the expansion of its refinery at Port Moody, British Columbia.

The companies have other commitments in the ordinary course of business for the acquisition or construction of fixed assets and for the purchase of materials, supplies, investments and services which are not significant in relation to their net assets.

The companies in the normal course of business have entered into lease, charter hire, throughput agreements and other similar commitments. Long term leases for real property and charters for tankers have approximate rentals payable in 1969 of $13,028,000 (inclusive of property taxes). Rental income from properties sub-leased to others is estimated at $4,940,000 for 1969.

Under certain of these long term leases, the Company has the option to purchase the leased assets and is obligated to make advances from time to time which will be applied against the purchase price if the option is exercised. It is estimated that such advances will aggregate approximately $24,043,000 over the terms of the lease agreements (which expire at various dates to 1982). Advances to December 31, 1968, have amounted to $5,122,000 and during the next five years will aggregate approximately $4,546,000, of which $746,000 will be payable in 1969.

The companies are contingently liable for guarantees of obligations of pipe line companies and of mortgages payable by owners of service stations and others, aggregating $19,526,000. Also under long term agreements with certain other pipe line companies, the Company has agreed in conjunction with other users to ship sufficient crude oil to generate the revenue required to meet the obligations of these companies, and in the event there is any deficiency the Company may be required to purchase subordinated securities in an amount sufficient to make up its share of the deficiency. The management of the Company is of the opinion no losses of any consequence will arise from these guarantees and long term agreements.

12. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Remuneration of directors and senior officers (as defined by the Ontario Securities Act, 1966) during 1968 was $857,000, of which $303,000 represented the aggregate of remuneration paid to the officers who were also directors of the Company and fees paid to other directors.

13. 1967 COMPARATIVE FIGURES

The comparative figures for 1967 in the accompanying financial statements have been restated to give retroactive effect to the change in accounting for income taxes referred to in note 7(a) and also to the pooling of interest accounting applied to the additional shares of Royalite Oil Company, Limited acquired during 1968.

Clarkson, Gordon & Co.
Chartered Accountants

15 Wellington Street West, Toronto 1, Canada

AUDITORS' REPORT

To the Shareholders of Gulf Oil Canada Limited:

We have examined the consolidated balance sheet of Gulf Oil Canada Limited (formerly The British American Oil Company Limited) and subsidiary companies as at December 31, 1968 and the statements of consolidated earnings and consolidated source and use of funds for the year ended on that date. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to the final determination of the claim for refund of U.S. taxes referred to in note 7(b), these financial statements present fairly the financial position of Gulf Oil Canada Limited and subsidiary companies as at December 31, 1968 and the results of their operations and source and use of funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retroactive effect to the change in accounting for income taxes described in note 7(a) to the financial statements.

Clarkson, Gordon & Co.
Chartered Accountants

Toronto, Canada, February 7, 1969.

FIVE YEAR SUMMARY OF OPERATIONS

	1968	1967	1966	1965	1964
NET NATURAL GAS PRODUCED AND SOLD					
(millions of cubic feet)					
Canada	115,296	103,669	98,822	98,961	93,193
Per day	315	284	271	271	255
U.S.—to July 27, 1966	—	—	22,509	28,759	26,569
Per day	—	—	94	79	73
NET CRUDE AND NATURAL GAS LIQUIDS PRODUCED					
(thousands of barrels)					
Canada	29,308	27,101	24,703	23,453	22,580
Per day	80	74	68	64	62
U.S.—to July 27, 1966	—	—	4,546	8,396	8,687
Per day	—	—	22	23	24
CRUDE OIL PROCESSED BY AND FOR THE COMPANY					
(thousands of barrels)					
Total	71,336	69,850	66,530	57,145	56,247
Per day	195	191	182	157	154
REFINED PRODUCTS SOLD					
(thousands of barrels)					
Total	74,655	76,353	68,351	62,673	59,641
Per day	204	209	187	172	163
PETROCHEMICAL SALES					
(thousands of pounds)					
Total	454,645	471,933	482,226	457,186	397,134
Per day	1,242	1,293	1,321	1,253	1,085
SULPHUR SALES					
(long tons)					
Total	143,067	173,796	221,421	258,844	313,875
Per day	391	476	607	709	858
NET WELLS CAPABLE OF PRODUCING AT YEAR-END					
Canada	1,592	1,552	1,556	1,535	1,563
U.S.	—	—	—	687	715
Total	1,592	1,552	1,556	2,222	2,278
NET WELLS DRILLED					
Canada	65	51	78	130	142
U.S.	—	—	11	40	38
Total	65	51	89	170	180
NET ACREAGE UNDER LEASE, RESERVATION AND OPTION					
(thousands of acres)					
Canada	29,413	23,803	18,761	15,979	13,158
U.S.	—	—	—	786	1,041
Total	29,413	23,803	18,761	16,765	14,199

Note: *The above operating data include 100 per cent of volumes for partially-owned affiliates rather than deducting the minority shareholders' interest in such volumes, a practice followed in previous years.*

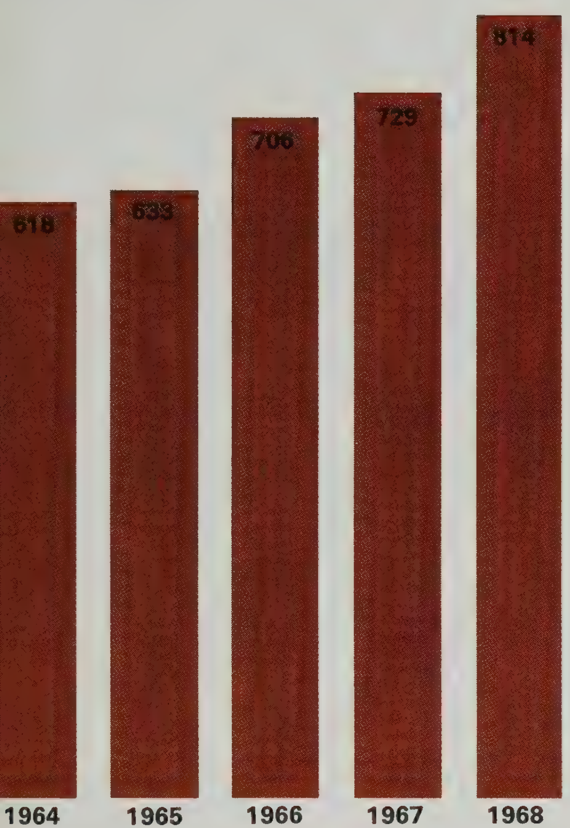
FIVE YEAR FINANCIAL SUMMARY

Totals, except for unit statistics, expressed in millions of dollars

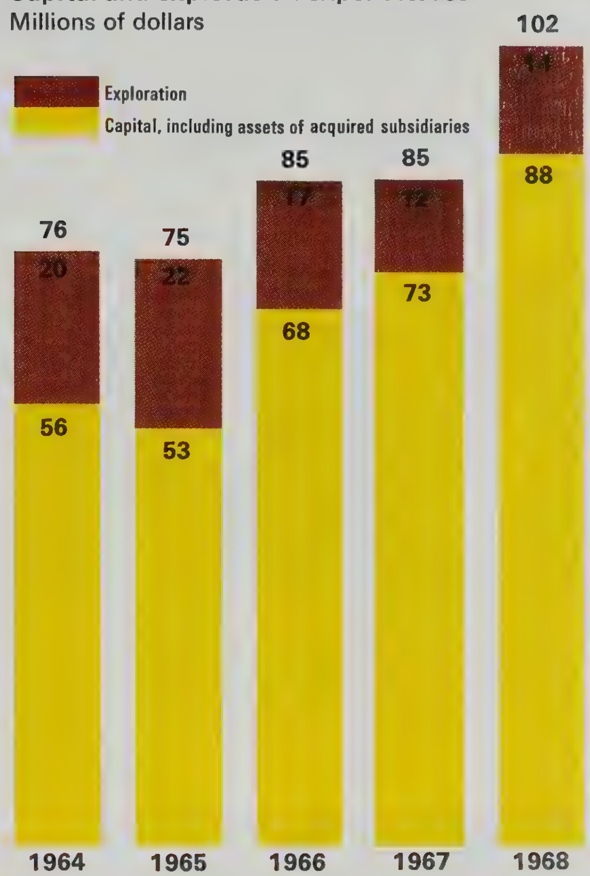
	1968	1967	1966	1965	1964
BALANCE SHEET					
Current assets	$318.1	$298.8	$305.4	$246.2	$216.3
Deduct: Current liabilities	107.1	113.9	96.3	137.9	114.4
Working capital	211.0	184.9	209.1	108.3	101.9
Properties, plants and equipment – net	528.6	496.7	469.6	504.2	497.4
Investments, long term receivables and other assets	75.3	69.9	50.6	48.1	44.1
	814.9	751.5	729.3	660.6	643.4
Deduct: Minority interest in subsidiaries	.8	22.1	23.1	27.8	25.0
Capital employed	814.1	729.4	706.2	632.8	618.4
Deduct: Long term debt	114.7	69.2	70.9	78.0	83.7
Deferred income taxes	48.8	54.0	52.2	48.3	43.4
Shareholders' equity	$650.6	$606.2	$583.1	$506.5	$491.3
Per common share	$ 28.78	$ 27.65	$ 26.69	$ 23.18	$ 22.51
CAPITAL EXPENDITURES					
New properties, plants and equipment	$ 86.9	$ 70.8	$ 66.2	$ 52.1	$ 51.4
Fixed assets of acquired subsidiaries	.9	1.6	1.9	1.3	4.1
	$ 87.8	$ 72.4	$ 68.1	$ 53.4	$ 55.5
EARNINGS					
Gross sales and other operating revenues	$752.7	$718.7	$679.7	$623.6	$588.3
Less gasoline and fuel taxes	135.9	121.9	115.9	103.8	95.7
Net sales and other operating revenues	616.8	596.8	563.8	519.8	492.6
Investment and sundry income	13.1	12.3	10.8	8.4	6.4
	629.9	609.1	574.6	528.2	499.0
Deduct:					
Exploration and dry hole costs	14.0	12.3	17.1	22.0	20.2
Depreciation, depletion and amortization	45.5	41.0	44.5	44.9	46.5
Purchases and other expenses	461.7	449.9	417.0	376.8	354.3
Taxes, other than income	37.3	36.0	33.2	31.6	30.6
Minority share of earnings	.1	(.1)	1.3	1.7	1.1
	558.6	539.1	513.1	477.0	452.7
Earnings for the year before income taxes	71.3	70.0	61.5	51.2	46.3
Taxes on income—					
Current	24.6	23.5	15.4	9.5	6.8
Deferred	(1.4)	1.8	3.9	4.9	5.2
Earnings for the year	$ 48.1	$ 44.7	$ 42.2	$ 36.8	$ 34.3
FUNDS FROM OPERATIONS	$ 93.4	$ 88.0	$ 90.9	$ 86.7	$ 86.2
DIVIDENDS PAID	$ 24.7	$ 24.1	$ 23.5	$ 21.8	$ 21.8
PER COMMON SHARE					
Earnings for the year	$ 2.13	$ 2.04	$ 1.94	$ 1.69	$ 1.57
Funds from operations	$ 4.13	$ 4.02	$ 4.17	$ 3.98	$ 3.95
Dividend rate at year-end	$ 1.10	$ 1.10	$ 1.10	$ 1.00	$ 1.00

Note: *The figures shown above for prior years have been restated, where necessary, to be comparable to 1968.*

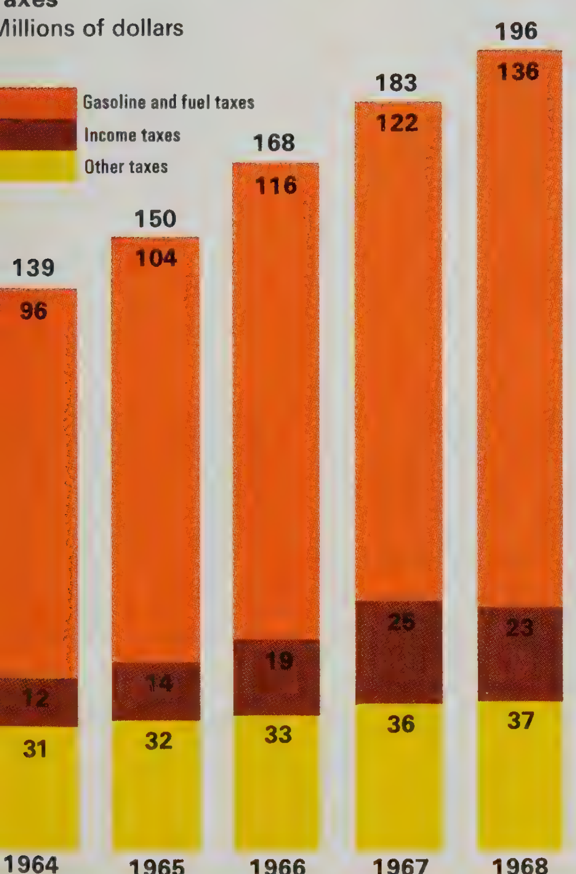
Capital employed
Millions of dollars



Capital and exploration expenditures
Millions of dollars



Taxes
Millions of dollars

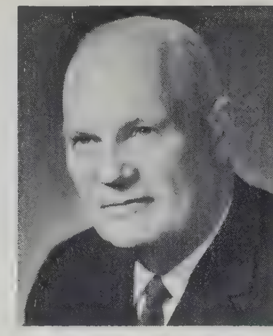


Funds from operations
Millions of dollars

DIRECTORS

J.D. Barrington, Mining Engineer and Corporate Director, Toronto, Ontario. Director: The Algoma Steel Corporation, Limited; Canadian Imperial Bank of Commerce; National Trust Company Limited; Excelsior Life Insurance Company.

W. Herman Browne, Chairman, Moore Corporation Limited, Toronto, Ontario. Director: The Bank of Nova Scotia; The Steel Company of Canada, Limited.

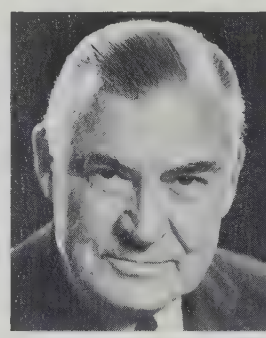


Charles Hay, President and Chief Executive Officer, Gulf Oil Canada Limited, Toronto, Ontario. Director: The Bank of Nova Scotia; National Industrial Conference Board; Canadian Nuclear Association.

J.R. Gordon, Director and Member of the Executive Committee, The International Nickel Company of Canada, Limited, New York, N.Y. Director: Borden, Inc.; The Babcock & Wilcox Company; The Canada Life Assurance Company; The Steel Company of Canada, Limited; The Toronto-Dominion Bank. Honorary Trustee, The Bank of New York.

F.W. Bruce, President, Aluminum Company of Canada, Limited, Montreal, Quebec. Director: Alcan Aluminium Limited; Polymer Corporation, Limited; National Trust Company Limited.

Jerry McAfee, Executive Vice-President and Chief Operating Officer, Gulf Oil Canada Limited, Toronto, Ontario. Formerly Senior Vice-President of Gulf Oil Corporation and of Gulf Eastern Company, London, England.



Beverley Matthews, Q.C., Senior Partner, McCarthy & McCarthy, Toronto, Ontario. Director: The Toronto-Dominion Bank; Trans-Canada Pipe Lines Limited; Brazilian Light & Power Co. Limited; Canadian Westinghouse Company, Limited; Canada Permanent Trust Company; The Canada Life Assurance Company; Gulf Oil Corporation.

Gérard Plourde, President, UAP Inc., Montreal, Quebec. Director: Anglo-French Drug Co. Ltd.; Editions du Renouveau Pédagogique Inc.; Northern Electric Company Limited; Omer De Serres Limitée; Molson Industries Limited; Robert Morse Corporation Limited; Rolland Paper Company Limited; Sidbec Inc.; Steinberg's Limited; The Toronto-Dominion Bank.

V.W. Scully, Chairman of the Board, The Steel Company of Canada, Limited, Hamilton, Ontario. Director: Bank of Montreal; Moore Corporation Limited; Sun Life Assurance Co. of Canada.

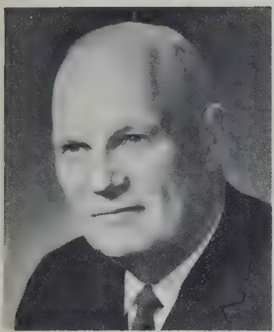
C.D. Shepard, Chairman of the Board, Gulf Oil Canada Limited, Toronto, Ontario. Director: The Toronto-Dominion Bank; The Carborundum Company.

L.J. Belnap, Montreal, Quebec, Director Emeritus.

R.A. Laidlaw, Toronto, Ontario, Director Emeritus.

C.L. Suhr, Oil City, Pennsylvania, Director Emeritus.

OFFICERS

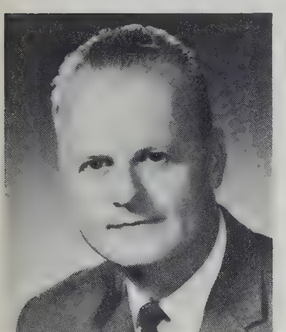


Charles Hay, President and Chief Executive Officer. Graduate in civil engineering and LL.D. of University of Saskatchewan. Joined Gulf Canada in 1964. Formerly President of Royalite Oil Company, Limited.

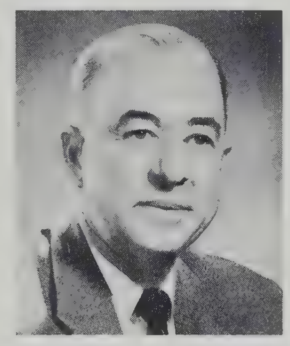
C.D. Shepard, Chairman of the Board. Graduate of University of Manitoba Law School. Chief Commissioner, Board of Transport Commissioners for Canada, prior to joining Gulf Canada in 1958.

Jerry McAfee, Executive Vice-President and Chief Operating Officer. Graduate of University of Texas and M.I.T. in chemical engineering. Joined Gulf Oil in 1945. Prior to joining Gulf Canada in 1967, was a Senior Vice-President of Gulf Oil Corporation.

L.P. Blaser, Senior Vice-President. Graduate of University of Saskatchewan in chemical engineering. Joined Gulf Canada in 1939. Appointed Vice-President in 1963. Transferred to Gulf Oil in 1966 as World-Wide Co-ordinator of Refining. Returned to Gulf Canada in 1967.



F.D. Aaring, Vice-President responsible for Employee Relations and Systems and Co-ordination. Graduate of University of Oklahoma in petroleum engineering. Joined Gulf Oil in 1948. Was General Manager of Gulf Canada's Production Department prior to becoming Vice-President in 1966.

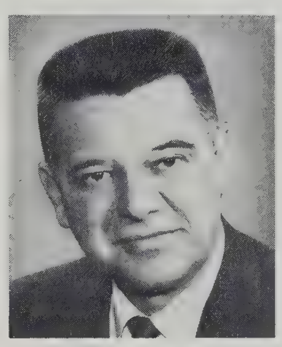


E.J. Gallagher, Vice-President responsible for Production, with headquarters in Calgary. Graduate in petroleum engineering of University of Pittsburgh. Joined Gulf Oil in 1930. Moved to Canada in 1952 as Manager of Production. Appointed Vice-President in 1964.

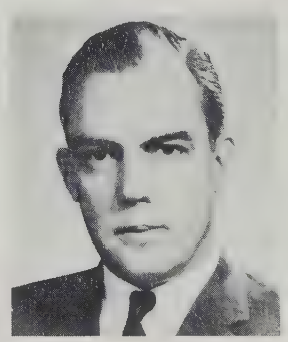
R.E. Harris, Vice-President responsible for Supply and Transportation. Graduate of University of Alberta in chemical engineering. Joined Gulf Canada in 1944. Appointed General Manager of Crude and Products Supply Department in 1965, Vice-President of Gulf Canada in 1966.

D.S. Lyall, Vice-President responsible for Corporate Development and Finance. Graduate of Dalhousie University and Law School. Joined the Comptroller's Department at Toronto in 1948. Appointed Vice-President in 1965.

J.W. Morgan, Vice-President responsible for co-ordination and liaison with affiliated companies. Graduate in chemical engineering of University of Alberta. Joined Gulf Canada at Calgary refinery in 1939. Appointed Vice-President in 1958.



C.G. Mueller, Vice-President responsible for Marketing. Joined Gulf Oil in 1946. Became Vice-President of Gulf's Western Marketing Region in 1965. Appointed Gulf Canada Vice-President in 1967.



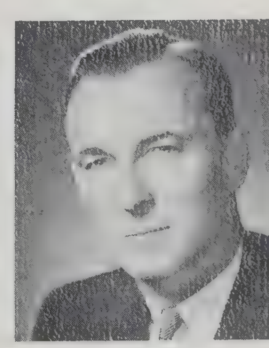
G.O. Relf, Vice-President responsible for Exploration, with headquarters in Calgary. Graduate of University of Utah in geology. Joined Gulf Oil in 1937. Became Vice-President of Exploration and Production for Gulf's Eastern Hemisphere in 1963. Appointed Gulf Canada Vice-President in 1968.

J.L. Stoik, Vice-President responsible for Manufacturing. Graduate of University of Saskatchewan in chemical engineering. Joined Gulf Canada in 1947. Became General Manager of Manufacturing in 1965, Vice-President of Gulf Canada in 1968.

H.S. Sutherland, Vice-President and Executive Representative for Eastern Canada. Graduate of Mt. Allison University in chemistry. Formerly President of Shawinigan Chemicals Limited. Past President of Chemical Institute of Canada and Montreal Board of Trade. Appointed Vice-President in 1967.

G.W.K. Macdonald, Q.C., Secretary. Graduate of University of Toronto and Osgoode Hall Law School. Joined Gulf Canada's Law Department in 1946.

J.C. Phillips, Q.C., General Counsel. Graduate of University of Toronto and Osgoode Hall Law School. Joined Gulf Canada's Law Department in 1956.



J.M. Turnbull, Treasurer and Comptroller. Admitted to membership in the Institute of Chartered Accountants of Ontario in 1940. Joined Gulf Canada as Assistant Comptroller in 1949.

GULF OIL CANADA LIMITED

Board of Directors
J.D. Barrington, Toronto
W. Herman Browne, Toronto
F.W. Bruce, Montreal
J.R. Gordon, New York
Charles Hay, Toronto
Beverley Matthews, Q.C., Toronto
Jerry McAfee, Toronto
Gérard Plourde, Montreal
V.W. Scully, Hamilton
C.D. Shepard, Toronto

Directors Emeriti
L.J. Belnap, Montreal
R.A. Laidlaw, Toronto
C.L. Suhr, Oil City, Pennsylvania

Officers
Charles Hay, President and Chief Executive Officer
C.D. Shepard, Chairman of the Board
Jerry McAfee, Executive Vice-President and Chief Operating Officer
L.P. Blaser, Senior Vice-President
F.D. Aaring, Vice-President
E.J. Gallagher, Vice-President
R.E. Harris, Vice-President
D.S. Lyall, Vice-President
J.W. Morgan, Vice-President
C.G. Mueller, Vice-President
G.O. Relf, Vice-President
J.L. Stoik, Vice-President
H.S. Sutherland, Vice-President
G.W.K. Macdonald, Q.C., Secretary
J.C. Phillips, Q.C., General Counsel
J.M. Turnbull, Treasurer and Comptroller

Head Office
800 Bay Street, Toronto, Ontario

Marketing Division Offices
Halifax, Nova Scotia; Montreal, Quebec; Toronto, Ontario; Calgary, Alberta; Vancouver, British Columbia

Accounting and Data Processing Centres
Montreal, Quebec; Toronto, Ontario; Calgary, Alberta

Research and Development Centre
Sheridan Park, Ontario

Exploration and Production
Departmental headquarters in Calgary, Alberta
Divisional Exploration Office — Calgary, Alberta
Gas plants — Pincher Creek, Nevis, Gilby, Rimbey, Turner Valley, Morrin-Ghost Pine, and Braeburn, Alberta

Pipe Lines
Departmental headquarters in Toronto, Ontario
Operated pipe lines —
Gulf Alberta pipe line
Gulf Saskatchewan pipe line
Mid-Saskatchewan pipe line
Rimbey pipe line
Saskatoon pipe line
Shawinigan pipe line
Valley pipe line

Refineries
Montreal East, Quebec; Clarkson, Ontario; *Brandon, Manitoba; Moose Jaw and Saskatoon, Saskatchewan; Calgary and Edmonton, Alberta; Kamloops and Port Moody, British Columbia
**To be shut down April 1, 1969*

Principal Affiliates as of December 31, 1968

ROYALITE OIL COMPANY, LIMITED
(98.2 per cent interest)
Head Office: Calgary, Alberta
President: J.L. Valens

SHAWINIGAN CHEMICALS LIMITED
(100 per cent interest)
Head Office: Montreal, Quebec
President: V.N. Hurd

SUPERIOR PROPANE LIMITED
(100 per cent interest)
Head Office: Toronto, Ontario
President: R.G. Samworth

WESTERN TIRE AND AUTO SUPPLY LIMITED
(100 per cent interest)
Head Office: Montreal, Quebec

Registrar
Canada Permanent Trust Company, Toronto

Transfer Agents
Canada Permanent Trust Company — Vancouver, Calgary, Edmonton, Regina, Winnipeg, Toronto, Montreal, Saint John, N.B., Halifax.
Registrar and Transfer Company — New York

Printed in Canada

AR33

ANGLO AMERICAN EXPLORATION LTD.

MARKETING :: REFINING :: PRODUCING :: EXPLORATION

BRITISH AMERICAN OIL CO. LTD

~~Name changed, 1968, to~~ Gulf Oil Canada Ltd

~~[illegible] Mines Ltd~~ Gulf Canada Ltd

PROGRESS REPORT

As at

JUNE 30 - 1960

ANGLO AMERICAN EXPLORATION LTD.

COMPARATIVE STATEMENT OF EARNINGS

FOR THE SIX MONTHS ENDED JUNE 30, 1954 to 1960

	1954	1955	1956	1957	1958	1959	1960
GROSS INCOME	$4,954,145	5,392,704	6,027,373	7,156,163	6,963,646	6,606,819	6,533,343
Cost of Products Sold & Expenses	4,701,188	4,905,601	5,520,277	6,364,820	6,139,780	5,944,690	5,543,116
GROSS PROFIT	$ 252,957	487,103	507,096	791,343	823,866	662,129	990,227
Interest Expense	179,596	177,040	235,204	229,337	212,165	294,467	295,096
NEW FUNDS GENERATED	$ 73,361	310,063	271,892	562,006	611,701	367,662	695,131
Depreciation, Depletion & Amortization	$ 219,262	348,642	424,413	367,916	375,213	330,055	360,139
NET EARNINGS or (Loss)	$ (145,901)	(38,579)	(152,521)	194,090	236,488	37,607	334,992

This statement does not include any of the operations of the subsidiary companies

ANGLO AMERICAN EXPLORATION LTD.

Progress Report

as at

June 30 1960

Your Company's healthy growth for the first six months of this year is reflected in the comparative statement of earnings.

Gross profit has been increased despite a slight drop in gross income.

Further economies have been effected in operations, which will be continued throughout 1960.

New funds generated have increased by 89% to $695,131, a result of increased refinery throughput and operating economies. After provision for depletion and depreciation, the net earnings of the Company amounted to $334,992 during the first six months of 1960.

The Company has purchased $123,000 of the 5½% Series A Notes toward the commitment of $168,000 required for sinking fund purposes for 1961.

The sale and leaseback of certain properties permits your Company to step up its expansion program, as the proceeds and funds generated from operation are being put to work in properties and service station construction, which will show further improvement in 1961 earnings.

D. G. Nicks.

President.

Gulf Canada Ltd.

Amalgamated with Shawinigan Chemicals Ltd
IN 1968 to form Gulf Oil Canada Ltd

ROYALITE OIL COMPANY, LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1968

ROYALITE

Clarkson, Gordon & Co.
Chartered Accountants

850 Elveden House, Calgary, Canada

AUDITORS' REPORT

To the Shareholders of Royalite Oil Company, Limited:

We have examined the consolidated balance sheet of Royalite Oil Company, Limited and subsidiary companies as at December 31, 1968 and the statements of consolidated earnings and source and use of funds for the year ended on that date. Our examination was made in accordance with generally accepted auditing standards and accordingly included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations and source and use of funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retroactive effect to the change in accounting for income taxes described in Note 9 to the financial statements.

Clarkson, Gordon & Co.
Chartered Accountants

Calgary, Alberta, February 7, 1969.

Royalite Oil Company, Limited
and subsidiary companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1968

1. PROPOSED AMALGAMATION

On November 12, 1968 the shareholders of the Company approved an amalgamation agreement providing for the amalgamation of the Company with The British American Oil Company Limited, Shawinigan Chemicals Limited and Gulf Oil Canada Limited under the name of Gulf Oil Canada Limited. British American (whose corporate name was changed to Gulf Oil Canada Limited as of January 1, 1969) owns approximately 98% of the capital stock of Royalite. Upon the amalgamation becoming effective, the shareholders of the Company, other than British American, will receive 1.2 shares of the amalgamated company for each share held.

2. OPERATING AGREEMENTS

Royalite's refining facilities are leased to Gulf Canada for operation by that company for its own account. Gulf Canada supplies the petroleum product requirements of Royalite's marketing operations.

Gulf Canada manages and operates for Royalite's account the companies' producing oil and gas properties, pipelines and gas plants and explores and evaluates Royalite's unproven properties. Royalite participates in all unproven properties acquired after January 1, 1965 by Gulf Canada and retains the right to purchase proven property for its own account.

3. SUBSIDIARIES

The accounts of all subsidiary companies have been included in the consolidation.

4. INVENTORIES

Inventories of crude oil, products and merchandise are valued generally at the lower of cost applied on a "first-in, first-out" basis and market value determined on the basis of replacement cost or net realizable value. Materials and supplies are valued at cost or lower, depending on the condition of the items.

5. INVESTMENT IN ASSOCIATED AND OTHER COMPANIES

	At Cost 1968	At Cost 1967
With quoted market value 1968: \$5,625; 1967: \$6,750	\$ 10,000	\$ 10,000
Without quoted market value	373,064	373,064
	\$383,064	\$383,064

6. PROPERTIES, PLANTS AND EQUIPMENT

	Gross Investment At Cost	Accumulated Depreciation, Depletion and Amortization	Net Investment 1968	Net Investment 1967
Production	\$44,220,265	\$27,313,117*	\$16,907,148	\$17,010,816
Bituminous sands project	2,910,317	—	2,910,317	2,766,817
Pipelines	5,373,245	4,068,351	1,304,894	1,288,963
Refining	16,289,787	12,051,988	4,237,799	4,867,623
Marketing	20,577,575	9,767,057	10,810,518	10,959,775
Other	1,036,901	571,853	465,048	484,998
	\$90,408,090	\$53,772,366	\$36,635,724	\$37,378,992

*Includes accumulated depletion of \$5,443,502 with respect to acquisition costs of productive properties.

7. DEPRECIATION, DEPLETION AND AMORTIZATION

Depreciation, depletion and amortization in the statement of consolidated earnings consist of:

	1968	1967
Depreciation of plants and equipment	\$ 1,999,612	\$ 2,071,459
Depletion of acquisition costs of productive properties	195,480	170,147
Amortization of non-producing properties, drilling costs and other intangible assets	778,981	702,313
	\$ 2,974,073	\$ 2,943,919

Policies governing depreciation, depletion and amortization are as follows:

(a) *Exploration and development costs*—The companies follow the practice of charging to expense, as incurred, the cost of all dry holes and all exploration expenditures except the initial acquisition costs of oil and gas properties. These latter costs, together with the cost of successful wells, are capitalized and charged against earnings on a unit of production or other amortization basis.

Royalite Oil Company, Limited
and subsidiary companies

STATEMENTS OF CONSOLIDATED EARNINGS

for the year ended December 31, 1968 (with comparative amounts for 1967)

EARNINGS	1968	1967
REVENUES:		
Gross sales and other operating revenues	$85,256,359	$79,186,755
Less gasoline and fuel taxes	16,236,410	13,724,117
Net sales and other operating revenues	69,019,949	65,462,638
Investment and sundry income	1,095,405	928,067
	70,115,354	66,390,705
DEDUCTIONS:		
Purchased petroleum products and merchandise	38,213,956	36,159,298
Operating, selling and administrative expenses	15,649,806	14,877,533
Taxes on income (Note 9)	3,286,000	2,793,000
Other taxes	4,526,810	4,267,796
Depreciation, depletion and amortization (Note 7)	2,974,073	2,943,919
Interest and amortization of discount on long term debt	920,309	980,212
Other interest expense	86,209	60,489
Income applicable to minority interest in subsidiaries	29,130	28,477
	65,686,293	62,110,724
EARNINGS FOR THE YEAR	$ 4,429,061	$ 4,279,981

RETAINED EARNINGS

	1968	1967
Balance, beginning of year	$23,528,423	$20,763,442
Less income taxes deferred in prior years (Note 9)	—	1,515,000
	23,528,423	19,248,442
Earnings for the year	4,429,061	4,279,981
Balance, end of year (Note 10)	$27,957,484	$23,528,423

See accompanying notes to financial statements.

Royalite Oil (
and subsid

CONSOLIDATED

December 31, 1968 (with

ASSETS	1968	1967
CURRENT:		
Cash	$ 1,657,643	$ 623,127
Short term investments, at cost (approximates market value)	5,689,306	5,296,123
Accounts receivable	11,601,610	10,076,240
Due from affiliated companies	71,510	282,051
Inventories (Note 4)—		
Crude oil, products and merchandise	4,623,291	3,992,440
Materials and supplies	98,879	138,109
Prepaid expenses	231,478	251,136
Total current assets	23,973,717	20,659,226
INVESTMENTS AND LONG TERM RECEIVABLES:		
Investments in associated and other companies, at cost (Note 5)	383,064	383,064
Advance to affiliated company	—	535,047
Deposits and long term receivables	2,375,836	2,239,982
	2,758,900	3,158,093
PROPERTIES, PLANTS AND EQUIPMENT (Note 6)	36,635,724	37,378,992
DEFERRED CHARGES:		
Unamortized expense on long term debt	57,440	65,646
EXCESS OF COST OF INVESTMENTS IN SUBSIDIARIES over values assigned to their tangible assets, less amortization	1,687,019	1,772,405
	$65,112,800	$63,034,362

See accompanying notes to financial statements.

il Company, Limited
sid ary companies

D BALANCE SHEET

h comparative amounts for 1967)

LIABILITIES	1968	1967
CURRENT:		
Amounts payable to affiliated companies for product and other purchases	$ 3,210,782	$ 4,892,828
Other accounts payable and accrued charges	4,209,663	3,557,146
Income and other taxes payable	2,893,301	3,053,982
Current portion of long term debt	1,028,212	1,089,444
Total current liabilities	11,341,958	12,593,400
LONG TERM DEBT (Note 8)	16,169,653	17,198,056
DEFERRED INCOME TAXES (Note 9)	1,386,000	1,485,000
MINORITY INTEREST IN SUBSIDIARIES	182,165	153,943
SHAREHOLDERS' EQUITY		
CAPITAL STOCK:		
Preferred shares of a par value of $25 each— Authorized— 200,000 shares		
Common shares of no par value— Authorized—4,000,000 shares		
Issued —3,000,342 shares	8,075,540	8,075,540
RETAINED EARNINGS	27,957,484	23,528,423
	36,033,024	31,603,963
	$65,112,800	$63,034,362

On behalf of the Board:

C. Hay, Director.

J. L. Valens, Director.

Royalite Oil Company, Limited
and subsidiary companies

STATEMENT OF CONSOLIDATED SOURCE AND USE OF FUNDS

for the year ended December 31, 1968 (with comparative amounts for 1967)

	1968	1967
SOURCE OF FUNDS:		
Earnings for the year	$ 4,429,061	$ 4,279,981
Add: Depreciation, depletion and amortization	2,974,073	2,943,919
Reduction of deferred income taxes	(99,000)	(30,000)
Funds from operations	7,304,134	7,193,900
Net book value of fixed asset disposals	627,322	643,852
Repayment of advance to affiliated company	535,047	—
Receipts from mortgages	—	127,283
Other—net	36,428	35,776
Total	8,502,931	8,000,811
USE OF FUNDS:		
Addition to properties, plants and equipment	2,763,741	3,413,169
Increase in investments and long term receivables	144,854	165,692
Reduction in long term debt	1,028,403	1,097,557
Total	3,936,998	4,676,418
Increase in working capital	4,565,933	3,324,393
Working capital, beginning of year	8,065,826	4,741,433
Working capital, end of year	$12,631,759	$ 8,065,826

See accompanying notes to financial statements.

(b) *Investment in plants and equipment*—Charges are made against earnings for depreciation of investment in plants and equipment based on engineering reviews of the remaining service lives of the assets using either the straight-line or the unit-of-production method, whichever is appropriate.

8. LONG TERM DEBT

	1968	1967
4¾% Sinking Fund Debentures, Series B, due December 1, 1975	$11,222,000	$12,022,000
5% Sinking Fund Debentures, Series C, due December 1, 1972	778,000	978,000
Total debentures—$1,000,000 to be redeemed December 1 each year and balance in 1975	12,000,000	13,000,000
5½% Note payable to Purity 99 Oil Ltd. due December 1, 1970	5,000,000	5,000,000
Other long-term obligations of the companies	197,865	287,500
	17,197,865	18,287,500
Less instalments due within one year included in current liabilities	1,028,212	1,089,444
	$16,169,653	$17,198,056

9. INCOME TAXES

In prior years in arriving at the reported earnings, income taxes were computed on the basis of—

(i) claiming capital cost allowances and other deductions each year rather than depreciation or other related charges recorded in the accounts; and

(ii) claiming exploration and development expenditures to the extent that they were allowable deductions for tax purposes in the year in which they were incurred, regardless of the treatment followed in the accounts.

For 1968, the companies changed to the income tax allocation method of accounting for income taxes with respect to the timing differences mentioned in (i). This change has been given effect by restating the 1967 figures (reducing the 1967 tax provision and increasing net earnings by $30,000) and by charging retained earnings as of January 1, 1967 with $1,515,000 to set up the accumulated deferred income taxes to that date in respect of these timing differences. The Accounting and Auditing Research Committee of the Canadian Institute of Chartered Accountants recommends income tax allocation for all differences in the timing of deductions for tax and accounting purposes which originated in financial years commencing on or after January 1, 1968. However, Opinion 11 of The Accounting Principles Board of the American Institute of Certified Public Accountants does not require tax allocation procedures at this time with respect to intangible development costs in the oil and gas industry. As is the case with many other companies in the industry in Canada, the Company does not believe that tax allocation in respect of exploration and development costs is appropriate at this time. Accordingly, no provision has been made for deferred income taxes on timing differences involving such costs for the year ended December 31, 1968. If the tax allocation basis had been followed with respect to such costs in current and prior years, net income for the year would have been reduced by $77,000 ($265,000 in 1967) or by 2.6¢ per share (8.8¢ in 1967) and the cumulative amount of deferred income tax credits to December 31, 1968 related to such costs would have been $2,007,000.

10. RESTRICTION ON DIVIDENDS

Under the terms of the Company's Trust Indenture, the amount of retained earnings available for the payment of dividends on common shares is restricted to consolidated net earnings since August 31, 1955, plus $800,000 after deducting dividends declared on preferred shares.

11. PENSION PLANS

The companies have funded pension plans covering substantially all of their employees.

The contributions by the employees, together with those made by the companies are deposited with insurance companies and/or trustees according to the terms of the plans.

Pensions at retirement are related to remuneration and years of service. The amounts charged to income (including amounts paid to government pension plans) were $157,235 in 1968 and $149,563 in 1967. All past service pension costs and all vested benefits were fully funded at December 31, 1968.

12. COMMITMENTS AND CONTINGENT LIABILITIES

The companies have long term leases for buildings and service stations with approximate rentals payable in 1969 of $1,912,000 (inclusive of property taxes). Rental income from properties sub-leased to others is estimated at $998,000 for 1969.

The companies have other commitments in the ordinary course of business for the acquisition or construction of fixed assets and for the purchase of materials, supplies, investments and services which are not significant in relation to their net assets.

13. DIRECTORS' REMUNERATION

The aggregate remuneration paid to the officers who are also directors of the Company and fees paid to its other directors totalled $64,253 in 1968.

REPORT OF SPECIAL GENERAL AND

ANNUAL MEETING OF SHAREHOLDERS

OF GULF OIL CANADA LIMITED

May 15, 1969, Toronto, Canada

Gulf

Address by C. Hay, President

Toronto, May 15, 1969

We are pleased to submit this report of the Special General and Annual Meeting of Shareholders of Gulf Oil Canada Limited, this being the first meeting of shareholders since the issue on April 1 of this year of Letters Patent confirming the Amalgamation of Gulf Oil Canada Limited (formerely The British American Oil Company Limited) – Royalite Oil Company, Limited and Shawinigan Chemicals Limited. The meeting was held in the Royal York Hotel in Toronto on Thursday, May 15, 1969. We hope the report will be of particular interest to those who were unable to attend.

There was a high percentage of ownership present with over 39,000,000 shares or 86.56% of the outstanding shares represented in person or by proxy. Over 200 attended and we would welcome an even larger turnout next year.

As you were advised in the notice of the meeting, the business items acted upon by the Shareholders consisted of approval of By-law No. 58, this being a by-law adopting a corporate seal, and the approval of By-law No. 59, this being a by-law increasing the number of Directors from 10 to 12 and the quorum at meetings of Directors from 5 to 6. The meeting received the Annual Report, the Consolidated Financial Statements, and the Auditors' Reports for 1968 of Gulf Oil Canada Limited (formerly The British American Oil Company Limited), and Royalite Oil Company, Limited.

In accordance with the newly approved by-law, 12 Directors were elected and Clarkson, Gordon & Co., Chartered Accountants, were elected Auditors of the Company for the year ending December 31, 1969.

Re-elected as Directors were Messrs. J. D. Barrington, W. Herman Browne, F. W. Bruce, J. R. Gordon, Charles Hay, Jerry

McAfee, Beverley Matthews, Q.C., Gérard Plourde, V. W. Scully and C. D. Shepard and elected to the Board for the first time were Messrs. Ian MacKeigan, Q.C., Barrister and Solicitor of Halifax, Nova Scotia, and Robert G. Rogers, President and Chief Executive Officer of Crown Zellerbach Canada Limited, of Vancouver, B.C.

The President, Charles Hay, reviewed the Company's present position and the plans being made for the future. A resumé of his remarks and the full text of his address appear on the following pages.

In the course of his address he announced the declaration of a regular dividend of 15¢ to be paid on July 2. He pointed out that on the basis of the recent 2 for 1 share exchange this was the equivalent of an increase of 10¢ per annum on the preceding rate of British American Oil and for those who had held Royalite shares prior to the amalgamation it would constitute the first dividend payment in some years.

remarks by

MR. CHARLES HAY, President

Gulf Oil Canada Limited

at the

Annual Meeting of Shareholders

Royal York Hotel, Toronto

May 15, 1969.

Special General and Annual Meeting of Shareholders

INTRODUCTION:

This is an historic occasion – the first shareholder meeting under the new name and the first shareholder meeting after amalgamation of British American, Royalite Oil Company and Shawinigan Chemicals Limited. Historic events may hold an academic attraction, but the real significance of change is what it means for the years ahead; and I can assure you we have no pre-occupation with things past but a concern directed entirely toward the future.

But if I may be permitted one brief reference to conversion and amalgamation, it is increasingly clear our basic decisions were right and that planning and execution of these programs have led to a generally favorable acceptance in all quarters. For any who may have missed our earlier explanation of why and how we in British American took the initiative and effected the name change and amalgamation, I would like simply to repeat a couple of key points:

First, the recommendation was made only after initiation and the fullest consideration by the Canadian management and our own board of directors.

Second, amalgamation and name change were the next logical steps in a program of corporate expansion and consolidation the Company had been pursuing for over four years – for better meeting competition, for greater efficiency, for employee opportunity, for customer service throughout the continent and internationally, for marketing strength and profitability.

I would also like to scotch any rumors that it cost us twelve or fourteen million dollars to change our corporate name. This number can only be arrived at by erroneously including as part of the name-change cost the admittedly large capital investment we made to refurbish our service stations over a two-year period beginning, you will re-

call, prior to Expo '67. The need to modernize our image, remodel our stations, and brighten our look had been recognized by management some time before that. The modernization of our retail representation, which we think gives us the smartest outlets in Canada, was something that had to be done anyway, whether or not it was followed by a name change. It has already been reflected in increased sales, as our research and planning had indicated; just as the name change has already increased travel card applications and business from U.S. motorists. The convincing arguments, of course, are the benefits to be realized in the long term from the new image, our new power in the market place, and the potential in the three-company consolidation for effecting cost-saving and greater efficencies in service.

RESPONSIVE TO PROFITABLE CHANGE:

The name change and amalgamation are excellent examples of our ongoing corporate philosophy – that we are always receptive to new opportunities and are prepared to undertake even the most major changes in our quest for improved profitability throughout the Company.

The success of our earlier changes in the past couple of years and the ability of our organization to translate opportunities into results are reflected in the record of our performance last year. Much of this you have already seen or read in the Annual Report. I would merely like to touch again on some highlights. Of course, the single statistic of primary interest is our consolidated net earnings reaching a new high of $48.1 million, a 7.6 per cent increase over the restated 1967 figure of $44.7 million.

EARNINGS:

As you will have seen in our report to shareholders for the first quarter of 1969, earnings for the first quarter of approximately $11.4 million were up only 1.3 per cent over the same period last year. Increases in operating revenues were offset by generally higher expenses in almost every phase of our operations.

Among items of increased expense are exploration, which is controllable but should be undertaken at this time to assure us of future reserves of crude oil and gas at low cost; and interest on capital employed to build plants which have not yet come on stream. This expense is also controllable, but we believe that building new plants at this time is necessary to maintain growth and profit for the Company.

In addition to these items is the increase in the cost of doing business – taxes, materials, services, wages, and employee benefits. All seem to add to the difficult task of maintaining earnings at their present rate of improvement and, at the same time, taking advantage of the opportunities for growth and development that are before us. Earnings for 1969 and 1970 are apt to reflect these difficulties.

Later this afternoon you will be shown a new 20-minute Company film entitled "Gulf Canada on the Move." It presents many of the Company's activities more graphically than I could in these remarks.

CONCENTRATED ACTIVITY:

If any single observation can be made about recent and current operational events, it perhaps would be that nearly every segment of the Company seems to possess exceptional potential for growth, and that as these opportunities are realized, individually and collectively, they should have an accelerating effect on Company performance in the future. In other words, we have lifted ourselves up to a new plateau, from which even greater

achievments are attainable. A quick review of 1968 highlights gives some idea of the concentrated activity already under way.

THE STRACHAN AREA PROGRAMS:

For instance, our stepped-up exploratory program in Western Canada resulted in a major gas discovery in 1968. This significant gas discovery by Gulf Canada and partners in the Strachan region, 75 miles north-west of Calgary, has resulted in a marked upswing of activity. Gulf Canada and its partners are currently following up their deep-reef discovery with an offset development well, in which we have a 50 per cent interest. We are also drilling a wildcat some nine miles to the northwest on a 100-per-cent lease block and have an interest in another deep exploratory well nine miles south of the discovery. Two shallower (9,000′) gas discoveries are currently being completed on a 50-per-cent Gulf Canada acreage in the potentially important new cardium sand field, which trends through the heart of Gulf Canada's Strachan acreage.

Since the discovery, we purchased, with our partners, two drilling reservations of nearly 13,000 acres each to supplement our already excellent land picture in this highly prospective region. In February, Gulf Canada contracted its share of reserves from approximately 100 square miles of leases in the Strachan area to Trans-Canada Pipe Lines Limited, with delivery to commence November 1, 1970; and Gulf Canada and its partners have announced plans to construct a major gas processing plant.

Gulf Canada has made major expenditures elsewhere in Western Canada during the past year to acquire geologically favorable exploratory acreage in various parts of the oil-and-gas-producing trends of Alberta, B.C. and far up into the Northwest Terri-

tories. Large new blocks of acreage also have been obtained along the Arctic coast on either side of the Mackenzie Delta and scattered through the Arctic islands.

From our drilling with two partners of a deep wildcat in the Mackenzie Delta, we still await results. Since the significance of a major success here would have far-reaching consequences not only in the Company but the entire resource industry, we are understandably following the prospects of this well especially closely.

NEWS ON GULF MINERALS:

In view of Gulf Canada's recently-acquired 10 per cent interest in a joint project with Gulf Minerals in Canada, our shareholders are no doubt encouraged by the statement at the Gulf Oil Corporation annual meeting last month that a third drill hole in the Wollaston Lake area of Saskatchewan has encountered high quality ore-grade uranium mineralization. Much more drilling and analytical work will have to be done to outline the ore body, and additional rigs are now being moved into the area for this purpose.

REFINERY EXPANSION:

The scope of our refinery plans and refinery construction promises major moves forward for Gulf Canada as these come on stream. On the West Coast, a 50-per-cent expansion of crude oil processing (to 30,000 b/d) will be completed this summer. On the East Coast, work on the 60,000 barrel-a-day refinery at Point Tupper, Nova Scotia, to be served by the largest crude-oil tankers afloat, is also proceeding according to schedule, for completion in 1970.

One needs only to visit this tremendous construction site – as I did last month – and examine the factors of its geography

and regional relationships, to realize fully the potential of Point Tupper and the associated industrial development that could bring new prosperity to Cape Breton and the Maritimes generally, as well as serve oil markets in that region most economically, and bring to full fruition the varied petroleum-oriented industrial and trade possibilities inherent in a deep salt-water port on the Atlantic Seaboard.

BIGGEST IN THE WEST:

At last year's Annual Meeting we outlined in general terms the major review then under way of our refining and distribution facilities on the Prairies. As a result of these studies, a new 75,000 barrel-per-day refinery has been announced at Edmonton, adjacent to and largely replacing the present plant. It will be the biggest refinery in Western Canada and with product pipeline supply to other major prairie centres, we expect to achieve a new high level of product-supply efficiency and flexibility in the West.

SHAWINIGAN: INTEGRATION:

As you know, our ownership of Shawinigan Chemicals now is complete, and several major changes and expansions are under way in our chemicals division, which should improve the profit situation. Closer integration is being achieved with our refining operations, and the conversion of Shawinigan from coal-based to petroleum-based raw materials for the manufacture of organic chemicals is proceeding. This changeover is designed to produce not only a lower cost basis from which future manufacture of chemicals will flow, but also to provide for growth in the volume of output of our chemical products.

Of particular note are the new ethylene plant, and the new plant to increase vinyl chloride production about to come on stream. These plants at Varennes will be the largest of their kind in Canada and will result in substantial reductions in the cost of products flowing from them. They will not only provide raw materials for our own chemical operations but will also provide intermediate feedstocks for sale to others.

As further tangible evidence of the integration of Shawinigan with Gulf Canada that is now being accomplished, it gives me great pleasure today to report that Mr. V. N. Hurd, who has headed Shawinigan since 1966, was this morning elected a Vice-President of Gulf Canada with responsibility for the chemicals division.

And so it goes throughout Gulf Canada. We're stepping up our search for and acquisition of raw materials; we're expanding and rationalizing our handling and manufacture of those materials into products. What are we doing with respect to their sale?

"NEW LOOK" FOR MARKETING:

Our "new look" at the service station level, to which the public response has been very favorable, has been paralleled by a modernization of our Marketing organization, designed to maximize our assets and improve our coverage of the various markets. The new system will have fewer layers of administration and be more responsive to performance auditing, co-ordination and control.

For some time, we have been stressing the more profitable areas of business; and we have been moving in the direction of fewer and more profitable service outlets at the most potentially promising, new station sites. To renewed emphasis on customer service, market research, advertising and promotion, we now add specialization – via a wholesale operation to dealers and a retail organization for Company-owned and operated outlets such as service centers, diagnostic centers, restaurants, farm centers, and Home Comfort fuel oil distributorships. There is a new determination by Gulf Canada marketing to halt the earlier erosion caused by cooperatives and discount gasoline stations and gasoline-auto-supply centers.

NEW MARKETING GROUP:

To ensure smooth planning, coordination, control, and enthusiasm, we are setting up a separate marketing group called Servico Limited, which will be motivated directly by the challenging market-place and likewise be directly rewarded.

This newly formed customer service organization incorporates and consolidates the former Company-operated retail merchandizing activities of Gulf Canada, Western Tire and Royalite Oil Company. It provides for the assimilation of those employees who are skilled in this particular type of marketing into this specialized division of the Gulf organization. As the name implies, Servico will add a new and dynamic emphasis to the customer service aspect at the retail level. It will be designed to provide customers with a degree of service which, we intend, will exceed that now being offered by the industry.

I made reference earlier in these remarks to the higher costs of doing business today. For some time we have been striving to match the adverse impact of these higher costs by achieving greater productivity through more efficent employment of our existing resources of capital and manpower, and by economies of scale in

order to minimize the unit cost of raw materials. However, we may well be reaching a limit, beyond which we must be able to recover some part of these increased costs – and improve the return on our investment – from higher prices for our products. I believe such an increase is essential if we are to maintain earnings in 1969 at the same level as last year.

TOWARD A VIABLE OIL POLICY:

The total oil economy in Canada today is undergoing a searching examination and quest for a future course. The approaches toward reaching a viable policy will not be easy. However, it is important that the industry not seek short-run or regional solutions at the risk of damaging its future role as a supplier from great reserves to the energy demands of a large continent. The industry can also make its contribution in the close cooperation now required between industry and government for devising policies.

The industry in Canada has various viewpoints that Ottawa should welcome on a continuing basis; and from close cooperation, there should come the formulation of policies that will reflect a broad national interest and yet enable Canada to negotiate so that both Canada and the U.S. derive maximum benefit from their oil and gas resources.

THE "ULTIMATE" TARGET:

We as producers with closed in production are as anxious as anyone to increase our sales of crude oil to the U.S. But Canada and the U.S. may not yet be ready to accept all the costs and restraints that would be inherent in a truly "continental" oil policy – a policy that would have to be continentally conceived as well as mutually agreed upon by Canada and the United States. But there is evidence that it could be recognized as the *ultimate* target. In the meantime, policy for Canada should take note of the international balance of trade; should accommodate

a market assurance for Canadian reserves to ensure adequate continued exploration; should encompass the development and transportation of petroleum resources wherever they may be found – on the prairies, offshore the north, east, or west coasts, in the territories, or on the Arctic islands.

Furthermore, any policy should recognize the energy resource counterpart of oil – that is, natural gas. We have surplus gas as well as oil, but the U.S. is more definitely in need, now and in the future, of our gas. Gas export sales could well be a key factor in our negotiating an international oil agreement.

There is no doubt that the National Oil Policy in the past years has served as the vehicle to improve crude oil production, domestic consumption and export sales to the U.S. But the time is now here to examine it in all its aspects – with a new perspective and within a larger framework. However, in the meantime, until a new policy has been formulated, the provisions of the present N.O.P., which aim at the optimum use of Canadian crude in Canada, should not only be continued but strengthened.

The main point at this stage is that the petroleum industry can and should work in close cooperation with the government to apply a broad national perspective, rather than consider itself in an adversary position and leave to governments the job of finding solutions that may prove unsatisfactory.

TRIBUTES:

Now I want to voice my appreciation of our employees, shareholders, and dealers all across the country – and make some comments relating to each of the groups of people who mean so much to Gulf Canada.

Employees:

We at Gulf Canada are especially fortunate in the calibre of our employees and our managerial and executive talent. Our Manpower Development program is now well under way to further enlarge the roles and opportunities of our talented employees, and we feel that this is one of the most exciting and important programs that our Company has ever undertaken.

The objective of this program is to anticipate organizational manpower needs, and to identify and develop employees with potential in order to have available qualified people to fill new or existing positions as needs arise. It is essentially a manpower inventory-taking and planning activity, which integrate the Company needs with the personal development of the individual.

Operating within the Gulf international framework, the purpose of the manpower development program takes on a new dimension in the exchange of talent at all levels – supervisory, professional-specialist, managerial and top executive. The "international family" concept provides the opportunity for Gulf Canada people to work for Gulf and gain world-wide experience. And by the same token, it makes available to Gulf Canada personnel of the highest calibre from other members of the "family."

As we face the great need for technological and managerial skills in this country, I believe that a nationally rewarding answer may be provided here. A Canadian company that is part of a world-wide company, with personnel exchange arrangements such as those existing between Gulf Canada and Gulf Oil Corporation, is a good thing for Canada. It means that Canadians can gain training and work experience abroad and return to their company in Canada to assume new responsibilities, enriched by international experience in technology and administrative skills.

Exchange of personnel by a Canadian company within a multi-national organization may well be the answer both to the brain drain and the import of brain power. It also provides a supplement to any managerial training courses the Company may arrange in this country in preparation of young people for added responsibilities and opportunities.

And when we talk about employees, we are not unmindful of our former employees and their contribution – our pensioners. Approximately 75 per cent of the Company's retired employees received increases in their pensions beginning January 1, 1969. This is the third time in recent years that the Company has increased the pensions of retired employees to assist them in meeting the higher costs of living.

Dealers:

I want also to pay tribute to and comment on our fine dealer organization. The dealers are "Mr. Gulf Canada" to millions of Canadians. They are an all-important asset not only to marketing operations but to our entire corporation, and with the new image conversion and amalgamation, our dealers, distributors and farm agents will have increasing challenges and opportunities.

Contrary to reports in recent weeks of commission findings that were somewhat critical of industry-dealer relations in the West, our associations over the years with our dealers across Canada have been on a good basis and have been mutually profitable. However, it is our determination to continue to improve what already is pretty good.

Concurrently with achieving a "new look" at our service stations, a review of the Company's contractual relationships with its dealers has been carried out. As an accumulation of our experience with our dealers over many years, I am happy to

announce that the following arrangements will shortly be made available to qualified Gulf Canada dealers:

(1) Leases of up to five years with renewal terms, subject to termination only in certain specified events;

(2) No change in the method of determining the rental for the duration of the lease period;

(3) Agreement by the Company on lease termination to purchase the dealer's tools and equipment at independently appraised values and the dealer's inventory of Gulf products at the dealer's cost;

(4) The elimination of any requirement that a dealer be required to deal exclusively in the Company's branded line of T.B.A. merchandise;

(5) The right of repayment of all new mortgages at the end of five years or at any time thereafter with release of any petroleum-product "tie-up" agreement on payment.

With these changes and improvements, we are confident that our dealers will respond more strongly than ever to the new colors flying.

Outside Directors:

I want also to acknowledge the excellent advice and help that have been rendered to the Company by the Directors. And in this respect, I want to express special appreciation of the generous and invaluable counsel rendered to the executive and to me personally by the so-called "outside" directors. These men bring to our Company a tremendous fund of knowledge and experience which positively contributes to our direction and growth, and their dedication to Gulf Canada has been outstanding. We are indeed pleased that Mr. Ian MacKeigan of Halifax and Mr. Robert G. Rogers of Vancouver have been elected today, as further evidence of our Board's broad geographic as well as professional representation.

Shareholders:

I also want to thank the shareholders for their continuing interest in the Company and for so positively sharing, at the Special General Meeting last November and since, our conviction regarding the value of the conversion and amalgamation. Your attendance here today and your letters and comments to us throughout the year are encouraging, helpful, and welcome.

Before closing, I am pleased to announce that at the Directors' Meeting this morning, a dividend of 15¢ for the quarter beginning July 1 was declared. This is the equivalent of an increase of 10¢ per annum on the basis of the recent 2-for-1 share exchange.

Gulf

GULF CANADA

COMMENTATOR PRESENTS:

The new sign in your future

GULF OIL CANADA LIMITED January, 1969

"from a 1906 beginning...to a new 1969 beginning."

Gulf COMMENTATOR

Gulf Oil Canada Limited

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The Cover:

All businesses, like the social environments they exist in, are continually evolving. And so are the corporate symbols that identify them.

The Company's first symbol, representing an all-British company selling the American kerosenes and greases that were setting world standards in petroleum quality, has been redesigned on occasion to reflect the changing tempo of business.

Indicative of the growing importance of crude oil and petroleum products as items of international commerce, our new sign identifies the Company as the Canadian member of Gulf Oil Corporation's world-wide family of companies.

Contents

Welcome, Gulf Canada

We have traveled a long road together to reach this point in time. Now, through the symbolism of a name change, we can meld the aims of British American Oil and its affiliates, and those of Gulf Oil Corporation, into a Company which is both Canadian and Gulf in character.

I find it interesting that there has been a bridge of human relationships between our companies leading to B-A's early days.

My own enthusiasm for the employees and aspirations of B-A goes back to 1958. At that time, I moved from a Gulf vice-presidency in Pittsburgh to Canada to learn to know you as your President and Chief Executive Officer of your Company.

But before that, your continuing growth was well known to Gulf, for the late W. K. Whiteford served with B-A and a subsidiary in the highest executive positions from 1935 until 1951, when he moved to Gulf, eventually to attain and retire from the chairmanship of the board.

So it is not as strangers, but as long-time associates that both Gulf and I welcome you into this new relationship among Gulf's world-wide family of companies. I feel a keen regret that Mr. Whiteford is not alive today to witness this latest handshake, signifying an association toward which he pointed over so many years.

E. D. Brockett
Chairman of the Board and Chief Executive Officer
Gulf Oil Corporation

A Corporate Milestone

It is a great pleasure to greet the family of Gulf Canada employees in all parts of Canada for the first time.

This special issue of Commentator records the success stories of three Canadian companies—British American Oil, Royalite Oil, and Shawinigan Chemicals. As you read them, you'll discover that each had a common historical corporate purpose: to grow and expand as a Canadian company.

Although our Company has a brand new name, it is important that we look and perform like the Canadian companies we always have been. In assuming our new name of Gulf Oil Canada Limited, we are not becoming less Canadian, but becoming a strong Canadian member of the world-wide Gulf family of companies. We are now more closely associated with an international organization, and the future presents an exciting challenge and a broader range of opportunities for all of us.

I would like to emphasize that one of the essential aspects of this expanded corporate concept is the contribution of the individual employee to the growth of Gulf Canada.

I hope you'll enjoy reading the historical highlights of our Company from a 1906 beginning as British American to a new 1969 beginning as Gulf Oil Canada Limited, and of the tremendous growth of the Gulf Oil Corporation, of which we are now the Canadian entity in its world-wide operations.

C. Hay

Charles Hay
President and Chief Executive Officer
Gulf Oil Canada Limited

GULF OIL CANADA LIMITED...proud past, exciting future

Gulf Oil Canada Limited — a brand new name in the Canadian petroleum industry.

But while the name is new, the Company that this name identifies has enjoyed a long and successful history in the Canadian business community. For over 60 years it has contributed to the industrial, economic, academic and cultural development of this country under the name of The British American Oil Company Limited.

The Canadian member of the world-wide Gulf Oil family of companies, Gulf Oil Canada is the nation's second-largest oil company with net sales and other operating revenues in excess of some $600 million annually. Fully integrated, it conducts exploration, production, refining and petrochemical operations in the major petroleum areas of the country, and maintains marketing facilities in every Canadian province and territory, providing direct employment for over 11,000 Canadians.

Gulf Oil Canada's gas reserves, estimated at 3.2 trillion cubic feet, are the largest in Canada. Crude oil and natural gas liquids reserves, not including a ten per cent interest in the Syncrude Athabasca Tar Sands project, are estimated at 614 million barrels, with sulphur reserves estimated at 4.3 million long tons. The Company has some 1,300 net oil and 259 net gas wells currently under production.

Gulf Canada operates nine strategically-located refineries from coast-to-coast. When current expansion programs have been completed these refineries will have a total crude processing capacity of some 300,000 barrels per calendar day. In addition, the Company has net gas processing capacity of 713 million cubic feet per day from 27 plants, four of which are owned by Gulf Canada and three others which are operated by the Company for partners.

With approximately 5,000 service stations, Gulf Canada's marketing operations extend throughout the length and breadth of the country and offer a complete line of Gulf-identified petroleum products and accessories. A complete station modernization program carried out in 1967 took the now-famous Gulf Canada blue-ribbon look to every corner of the country. The Gulf Canada marketing organization also operates some 1,700 Royalite-identified retail and bulk outlets throughout Western Canada and is developing a chain of Wayfare Restaurants across Canada. A new organization, Servico Limited, will be responsible for all retailing operations including auto, diagnostic, farm and Home Comfort Centres.

To process the mass of information that has accompanied the growth of the petroleum industry, the Company operates three data processing centres, in Montreal, Toronto and Calgary.

Gulf Canada is also active in several other areas related directly to the petroleum industry. Included is a Quebec-based petrochemical division, selling products under the highly-respected Shawinigan Chemicals brand; Superior Propane, the first Canadian propane marketer to operate in every province; and Western Tire and Auto Supply Limited, a retailer of automotive, petroleum and other products in Eastern Canada.

The Company also maintains a one-third interest in Canadian Helium Limited, a company that markets helium on every continent; and is a major shareholder of Cansulex Limited, which exports sulphur overseas for a group of producers.

Opened in 1964, the Company's Research Centre, at Sheridan Park, Ontario, carries out a continuing study into research programs related to petroleum technology. It is complemented by the plastics-oriented Shawinigan Chemicals Division research centre near Montreal.

Gulf Canada is owned by its 26,800 shareholders. The Gulf Oil Corporation, Pittsburgh, Pa., is the major stockholder holding some 69 per cent of the outstanding shares.

Gulf Oil Corporation... a capsule history

1901 Spindletop, the most famous oil well in the world, roared in on January 10, and established Texas as a major oil source. Drilled by Anthony F.Lucas, the well was financed by James M.Guffey and John H.Galey with $300,000 borrowed from the Pittsburgh banking house of T.Mellon & Sons...In May, Andrew W. and Richard B.Mellon organized the J.M.Guffey Petroleum Company and acquired the assets of the Guffey-Galey-Lucas partnership. Interests of Galey and Lucas were purchased by Guffey...A memorandum of agreement to charter the Gulf Refining Company of Texas – the Gulf referring to the Gulf of Mexico – was drawn up on November 10...Construction begun on Port Arthur, Texas Refinery to manufacture and market Spindletop oil. These were the beginnings of what later was to become the Gulf Oil Corporation...Crude oil production was 670,000 barrels.

1902 Luck turned bad as Spindletop stopped gushing and a glut of oil forced prices down to the all-time low of five cents a barrel. William Larimer Mellon, with previous oil experience in western Pennsylvania, was persuaded by his uncles to assume executive management of the J.M.Guffey Petroleum Company and the Gulf Refining Company of Texas. Guffey remained as President of both organizations.

1903 In London, Andrew W.Mellon obtained agreement from the Shell Trade and Transport Company to release the Guffey company from a contract which called for delivery of crude at a price below production costs...In New Orleans, W.L.Mellon made a sales survey which resulted in extending the company's marketing facilities and also in the adoption of orange as Gulf's identifying color.

The story of Gulf Canada began in 1906, when a Canadian, born and educated in Welland, Ontario, started to transform an almost idealistic dream into a practical reality.

Albert LeRoy Ellsworth was born on July 2, 1876, the son of George Alfred Ellsworth and Elizabeth Foster. The father had planned a law career for his son but, at the age of 18, young Ellsworth decided his own future, and took a job with a Buffalo, New York, pipe-fitting firm. In less than two years he made a second, more momentous step, signing on at Standard Oil's Acme, Buffalo, Refinery.

Albert Ellsworth regarded his nine years with Standard as the formative period of his life. First employed as a statistician, he later managed the cost accounting department. It was during this time that he became aware of the limitless potential of the petroleum industry. It was an awareness that escaped the mystical only because it was based on economic practicability and conceived in the impartial mind of an accountant.

Mr. Ellsworth had been born into the fabulous generation of business leaders that marked the early years of the 20th century. The discoveries of men like Alexander Graham Bell, Henry Ford, Thomas Edison and the Wright Brothers had opened up new fields of commerce which provided unlimited opportunities for men with foresight. It was the era of the rugged individualist. That quality, combined with driving ambition and executive ability, and coupled with unwavering faith in himself and the potentialities of his country, marked the Company's founder.

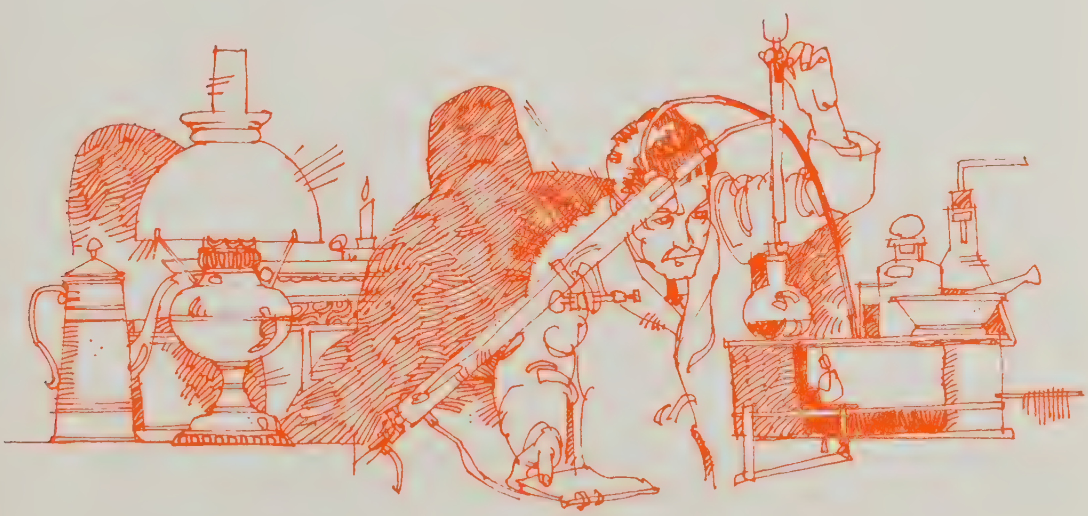
1904 Sales offices opened in Houston, New Orleans, Tampa, Philadelphia and Boston.

He not only recognized the potential of the petroleum industry, he also recognized the potential of his native land and the fact that competition was less intense north of the border. So, in 1905, armed only with modest savings and the knowledge gained during his brief career with Standard, he returned home to set up his own Canadian oil company.

1905 Oil was discovered at Glenn Pool, near Tulsa, Oklahoma, in what was then Indian Territory. This find was to prove important to the future of Gulf, which was finding Texas oil unreliable.

Only a man thoroughly convinced of the future of the petroleum industry could have taken the step. The entire business centred around kerosene and coal oil, which had only recently replaced whale oil as a fuel for lanterns and lamps. Kerosene – B-A's product was known as Electrolene – greases and lubricating oils accounted for 90 per cent of the marketable products being distilled from crude oil. Petroleum had not yet replaced coal as man's prime source of power, and oil's supremacy as an illuminant was being challenged by electricity.

These were only a few of the objections made by those he approached for capital to finance his Company.



1906 Faced with dwindling Texas production, W.L.Mellon proposed a 400-mile pipe line from Glenn Pool to the Port Arthur, Texas, Refinery. But this involved an expenditure of millions and the Mellons opposed further large capital outlays without a reorganization of the J.M.Guffey Petroleum Company. Guffey was against reorganization. A poll of stockholders revealed the company could be reorganized despite Guffey's opposition.

1907 In January, the Gulf Oil Corporation was incorporated in New Jersey with A.W.Mellon as President. It acquired the assets of the J.M.Guffey Petroleum Company and the Gulf Refining Company of Texas. Guffey's stock in the two original companies was purchased outright...In September, the Glenn Pool pipe line was finished ...In Oklahoma, a new subsidiary, the Gypsy Oil Company, was formed... Annual gasoline sales reached 133,000 barrels.

1908 Nearly $1 million of the old Guffey company leases were written off the books as worthless...Five out of every seven barrels of Gulf's crude oil production now were coming from Oklahoma...W.L.Mellon was elected President.

But the convinced Ellsworth persevered and eventually enlisted the support of several Canadians who shared his optimistic view of the future of the oil industry in this country. On October 17, 1906, under the authority of King Edward VII, The British American Oil Company Limited received its Ontario Charter and began distributing kerosene and lubricating oils from a small office in the Grand Trunk Railway's Lawlor Building at King and Yonge Streets in downtown Toronto. The rooms were small, but adequate for the staff of those days. Mr. Ellsworth, the secretary-treasurer, worked in a glassed-in cubicle so that every member of the staff was visible to him and he to them. Often, as the last employee wearily went home after working overtime, he left Mr. Ellsworth at his desk, still poring over pages of beautiful copper-plated entries and columns in the ledgers that were setting the future of British American.

The Company's first President was Silas R. Parsons, a highly-respected Toronto business leader and first president of The Canadian Manufacturers' Association. Not only had he supplied a considerable cash investment, but also contributed a proven record of business experience to supplement Ellsworth's shrewd grasp of the oil industry.

By December 31, 1906, eight shareholders had invested $135,200 in the Company and Mr. Ellsworth, secretary-treasurer of the firm, was planning expansion.

The partners soon discovered that guaranteeing the quality of products manufactured by others was a risky business. To remedy this, they purchased three acres of swampy land on a remote section of Toronto's eastern waterfront less than a year later, and built their own refinery. The major product was kerosene. Gasoline, a useless by-product, was dumped into the nearby swamp.

Canada's third refinery, incorporating two second-hand cheese box stills, was hardly an impressive operation. Nevertheless, to Mr. Ellsworth, the fact that his Company now manufactured petroleum products represented a major step forward.

Not all of the progress was so dramatic. There were occasions when the firm had barely enough cash to meet the weekly payroll. When this occurred, Mr. Ellsworth would gather a handful of outstanding accounts and, using a Company horse-drawn wagon, call personally on customers until he had enough money to fill the pay envelopes.

Equally impromptu and effective was the financing of the Company. On one occasion, Charles Suhr, the Company's chief U.S. supplier, called on Mr. Parsons to point out that B-A's account with his firm was getting rather large. Mr. Parsons paused for a moment, then suggested that, in lieu of payment, Mr. Suhr come into the firm. He followed his offer up with a glowing word picture of Canada's economic future. Intrigued but not entirely convinced, Mr. Suhr returned home to think it over and, at the same time, try to interest some U.S. associates in the scheme.

On the day he was to deliver his answer, Mr. Suhr dropped into the office of a friend named McSweeney, a rough-talking, high-priced American attorney who had

set up a number of subsidiaries for a major U.S. oil company. The lawyer, an inveterate golfer, was on his way to the course, and gave Mr. Suhr one minute to state his case. At the end of the minute McSweeney said, "O.K., I'll take as much stock in this outfit as you will," then departed for the golf course.

The rest is history. The dual investment gave the Company added working capital and, through Mr. Suhr's connections, provided a source of quality products in the U.S. For his part, Mr. Suhr went on to serve for 53 years as a Company Director and 40 as a vice-president.

This incident took place in 1909, the year that B-A applied for, and received a Dominion Charter allowing it to enter Quebec. Montreal, densely populated and with a rich kerosene market, was the Company's first target through the acquisition of a sales agency which was selling coal oil and axle grease directly from wagons to stores and other consumers.

Little advertising was done during these formative years, mainly because Mr. Ellsworth was not convinced of its effectiveness. Right from the start, however, the name British American had made a positive impression on prospective customers. Mr. Ellsworth chose the name carefully to identify an all-British company selling American kerosene and greases, and he relied on it entirely. Insistence on quality was one of his founding principles and, in the choice of name, he had symbolically associated British business acumen with American supremacy in product technology.

The first regular meeting of the Board of Directors was held on July 7, 1909. The minutes recorded those present as S. R. Parsons, C. A. Birge, W. A. Manion, J. S. Mills, W. J. Hohlstein, A. L. Ellsworth, Charles L. Suhr and his son, Henry Suhr. Shortly after, the Company moved its Toronto offices from their King and Yonge location to the Lumsden Building at the corner of Yonge and Adelaide Streets.

Shareholders' meetings were small affairs and held in the firm's offices. The law did not yet require publication of annual reports, and it was sufficient to supply financial statements of operations to actual shareholders only.

Right from the beginning, B-A was always known as a good place to work. Mr. Ellsworth took a personal interest in all employees, but especially the salesmen. To him, they were the Company's front line, not only representing the Company wherever they went, but in most cases introducing the Company and its products to prospective customers. In addition to giving the same enthusiastic acceptance to an order for five gallons of kerosene as they did to the sale of oil by the barrel, they were also expected to cope with any emergency – from speeding up product delivery to repairing primitive pumping equipment.

Although the district in which the refinery was located was unattractive with taverns the main meeting places, the same family spirit was evident. What the rough-and-ready refiners lacked in business niceties, they made up for in robust loyalty.

Both Mr. Parsons and Mr. Ellsworth took a personal interest in their employees not only from a humanitarian, but a practical standpoint as well. An adequate wage for the period was $10 for a minimum 55-hour week. At $14 per week, the teamsters were the industrial aristocrats.

The 48-hour week came to B-A in 1913. In addition, a sick benefit insurance plan, a significant innovation in industrial relations for the time, was introduced. And bonuses of $50 and $100 were standard expressions of good cheer at Christmas.

By the time World War I broke out, the Company had achieved a firm foothold in

1909 Flush production in Oklahoma made it necessary to increase refinery capacity at Port Arthur and to enlarge the Oklahoma pipe line capacity from 16,000 to 21,000 barrels daily.

1910 Gulf obtained a lease on 8,000 acres of lake bottom in Ferry Lake, Louisiana. Preparations were made for the first over-water drilling for oil in the U.S., and probably in the world.

1911 Gulf built its second refinery at Fort Worth, Texas...In Oklahoma, the company's first geological department was formed to assist in finding oil...In Pittsburgh, A.W. and R.B.Mellon founded the Mellon Institute of Industrial Research, open to all industry...From the Gulf fellowship, established there in 1927 on the recommendation of F.A Leovy, the present Gulf Research & Development Company has blossomed.

1912 The Mexican Gulf Oil Company was organized to explore and produce in Mexico. This was Gulf's first foreign production venture. Increasing ten-fold since 1907, volume sales of gasoline surpassed those of kerosene for the first time.

1913 In Pittsburgh, Gulf opened the world's first drive-in service station at Baum Boulevard and St. Clair Street... The company distributed its first dividend – $845,000 at the rate of $2.50 a share, and a share-for-share stock dividend, equivalent to $11,208,200.

1914 Gulf obtained its first production in Mexico.

1915 At Port Arthur, long and costly experiments which led to the commercial manufacture of aluminum chloride – Alchlor – were begun.

1916 First production by Gulf in Kansas. By the following year production in this state had reached 8,000 barrels per day.

1917 Mexican production surpassed one million barrels...Many of the company's operations were curtailed because its fleet of tankers had been placed in war service.

1918 Pioneering catalytic cracking techniques with its Alchlor process, Gulf began the first commercial catalytic cracking to manufacture No-Nox Gasoline. The process was later abandoned because of an increase in efficiency in thermal cracking techniques.

1919 James Frank Drake, destined to become President and Chairman of the Board of Directors, joined the company as presidential assistant.

the Canadian petroleum industry. Toronto Refinery, expanded to 40 acres, now had a crude capacity of 32,000 barrels per month. On the marketing scene, branches were operating in all major Ontario and Quebec centres. The staff at Head Office had grown to 20, and in 1915, Mr. Ellsworth was able to tell Roy Walkey, a new office-boy, without a trace of pomposity, "We believe that if a thing is worth doing, it is worth doing well," as convincingly as if this tradition had been established over 90 years, instead of the nine the Company had been in existence.

Mr. Ellsworth took the time and trouble to impress upon each junior the importance of putting stamps neatly on the mail because of his abhorrence of slipshod work, his passion for detail, and his feeling that every employee had a responsibility to give the Company his best at all times no matter what his job.

Roy, who had only been hired on a temporary basis, learned his lesson so well that he stayed with the Company for 46 years until his retirement in 1961.

With the automobile yet to make its impact and trucks few in number, the need for service stations had not yet developed. Dealer accounts operated from blind curb pumps, soon to be replaced by the "clear vision" type. Deliveries, in wooden barrels or drums, were shipped by rail to stations nearest the customers. Most of B-A's local hauling was done by horses pulling the high, round wagons that displayed the Company's *We make that good oil* slogan.

World War I had little effect on B-A. Petroleum played such a minor role in the total war effort that government control of the industry was unnecessary. What the war did, however, was to accelerate the development of the internal combustion engine. The dawning of the automobile age brought with it an unprecedented demand for gasoline and lubricants. By 1918, Canada's car population stood at nearly a half-million, and every one was thirsting for fuel.

As a result, gasoline quickly supplanted kerosene as the industry's big-volume product, up from ten per cent of the total volume in 1909 to 26 per cent within the decade.

Keeping pace with a virtual revolution in refining methods, Toronto Refinery was practically rebuilt. B-A was the first company in Canada to use fractionating towers, and the first to erect a cracking plant for gasoline production. And the Company's offices, continually expanding, were moved in 1916 to the newly-opened Royal Bank Building – tallest building in the British Empire!

Having become well and favorably known throughout Ontario and Quebec, B-A welcomed the challenges and opportunities that came with the post-war era. Spurred by intense competition as markets for oil products multiplied, the decade was a great period of oil discovery throughout the world. Petroleum was also becoming a major factor in agriculture as the internal combustion engine began to revolutionize the economic and social life of our civilization. On this continent, assembly lines had been introduced into the automotive industry and the automobile was fast becoming a year-round family vehicle.

Under Mr. Ellsworth's credo, that "no one shall offer a better product nor give better service," British American moved forward to face the challenge of the Roaring Twenties.

Anxious to reap the ultimate potential from this promising future, Mr. Ellsworth planned for expansion in not one, but two directions. He visualized Western Canada as the next developing market, and United States as the source of the crude supplies

on which the life of the enterprise depended and which were presently subject to controls outside of the Company.

Until this time the Company's one gasoline, *Vulcan*, had been little more than a by-product but, with the gradual emergence of the automobile, it quickly began to grow in importance. The thermal cracking process, which allowed companies to manufacture gasoline rather than just recover it, had doubled the production of gasoline from a barrel of crude oil.

By the early twenties, B-A was selling two gasolines: *Peerless*, "the aristocrat of Premium Gasolines," and *British Motor*, the regular brand. Other products of the day included Autolene, Motorene and Fordolene motor oils; Vulcan anti-freeze, benzene, lubricating oils and greases, lamp oil, metal polish, wax and coke. The Company began advertising in earnest in the mid-20's. Brochures and leaflets were based on the friendly, person-to-person approach. Copy such as *I knew you'd come back for more Super Power Gasoline; If you drive a car, We ought to be friends*; and *We make that good oil*, was wordy and, by today's standards, coy and naive.

B-A marked the beginning of the decade with the purchase of the Winnipeg Oil Company. With 115 branches, this acquisition simultaneously extended the Company's operations into the three Prairie Provinces.

1920 The word "Gulf" in blue block letters was added to the now familiar Orange Disc and registered with the U.S. Patent Office as a trade-mark.

1921 One of the most spectacular fires of Gulf's history broke out at the Toteco No. 4 well in Mexico...Assets now stood at $201,926,000.

1922 Gulf Oil Corporation of Pennsylvania incorporated...Oil production passed the 50-million-barrel mark...In Oklahoma, Gulf paid $3,880,000 for oil rights on five sections of Indian land in what was probably the most competitive oil lease auction ever held...Par value of Gulf stock was reduced from $100 per share to $25, and 12 shares of the new issue were exchanged for each one of the old – the equivalent of a 200 per cent dividend.

The westward expansion was opportune. The Canadian west was undergoing its first boom following long years of immigration and settlement. The early settlers, who had opened this vast granary with plow, binder and 40-horse combine, now had their eyes set on motor-driven farm machinery. And while, for many, this was merely the promise of a mechanized future, there was still a substantial market in kerosene to light the farm houses and barns, and in lubricants for machinery. By 1926, the Company sales force had increased sales volumes to second highest in the Canadian petroleum industry, a position retained to this day.

In 1924, B-A took a bold and decisive step, entering the United States as a producing company. That year, The Toronto Pipe Line Company was organized, and, in 1925, The British-American Oil Producing Company (BAOP) was established. The Pipe Line Company, at first a gathering system for an Illinois field, later extended its lines into many of the producing fields in which B-A had wells. The Producing Company was formed to develop Company-owned producing wells then being opened up in the southern U.S., primarily in Oklahoma.

1923 Following years of continuous and steady expansion of its Port Arthur refinery, equipment costing another $11 million was installed, thus making the refinery the world's largest at that time.

1924 In its second successful venture in foreign production, Gulf began producing oil in Venezuela with a gross production of about 5,000 barrels per day.

1925 A major refinery expansion program saw construction of the company's third and fourth refineries, at Bayonne, New Jersey, and at Philadelphia, Pennsylvania...Gulf realized its first production from West Texas fields.

1926 The acquisition of 25 per cent interest in the Nobel-Andre-Good group of petroleum marketing companies marked the beginning of the development of a European marketing organization.

Although the original $405,000 investment in U.S. subsidiaries was modest by today's standards, the formation and financing of these companies was a major project for a Canadian firm, and a notable reversal of the normal trend.

The decision again exemplified the wisdom and foresight of B-A's founder. He and his associates recognized that increased business necessitated Company refineries in each major geographical area. Yet to embark on such a program while vulnerable in crude supplies would be sheer folly. As he pondered these factors, expansion into the U.S. appeared inevitable.

Refining was demanding increased attention. With the growing popularity of the automobile, engineers were constantly increasing the efficiency of the engine. Their successes, in turn, depended entirely on the ability of the oil industry to develop improved anti-knock motor fuels. And, as the safe speed of cars needled from 30 to 50 mph, lubrication problems developed. The result was another upheaval in refining techniques that rendered most of the existing installations obsolete.

Refining operations were only one indication of the growing complexity of the oil industry. Marketing techniques, too, were changing to meet new conditions.

Service stations had commenced their evolution from the gas-pump fronting the livery stable, and were now developing into retail outlets for a variety of products. Salesmen not only had to know the specifications of the various products they were distributing to these new station operators, but also had to have a thorough knowledge of merchandising techniques. They had to show the operators how to maximize their sales and services to the motoring public, which was fast becoming the prime customer for petroleum products.

B-A, which had been operating a former Winnipeg Oil Company station in Winnipeg, built its first service station at the corner of Bloor Street and Delaware Avenue in Toronto in 1925. It was an impressive opening. All car-owning employees in the Toronto area drove over to fill up with gas. The motoring public followed in gratifying numbers and three more Company stations opened in Toronto that same year.

Growth of the oil industry and the improvement of its products continued, and when manufacturers initiated a better process or product, advertising quickly took up the gauntlet. The newly-developed anti-knock additive tetraethyl lead, wider use of cracked gasolines, and the establishment of the octane rating system all found expression in Company advertising.

Thus, the celebrated *Peerless* and *Super-Power* gasolines, employing an early version of the Jolly Green Giant, were portrayed as Giants of Power that swept the

customer's car up every hill – "Up, up, with never a knock, never a falter, never a strain or conscious effort," read the ads. Later, *Super-Power* became *Nevr-Nox* to emphasize its anti-knock qualities.

Mr. Ellsworth originated the Company's first trade symbol in the late twenties while doodling on a serviette in the King Edward Hotel, Toronto. First he wrote "B" for British and "A" for American; then he put a square around them. He thought of the Union Jack and drew an "x" across the page. To this he added the words "service" and "products". The result, developed and refined by advertising manager Jack Turnpenny, served as B-A's insignia for the next 20 years.

In 1927, Silas Parsons, who had served as President for the 21 years since B-A's inception, assumed the office of Board Chairman and the younger Mr. Ellsworth was elected President of the Company he had founded. However, there was little change in the Company's operations. Mr. Parsons and Mr. Ellsworth had worked so closely together that, for many years, their authority had been indivisible. The election of a new president was a much less publicized event then than it is today – just another item on the agenda of the annual meeting.

Mr. Ellsworth steadfastly shunned any ostentation that his success made possible, living quietly in Glenalton, his beautiful home in North Toronto, or at his summer home in Muskoka, and enjoying the company of his wife, two daughters and one son.

His office was deliberately simple; a plainly furnished room without frills or extras in order to impress prospective investors and stockholders that he was first, last and always a businessman, and that this was his workshop. Money that could have been spent on rugs and drapes was used to advance the Company's competitive position. It was about this time that Mr. Ellsworth stopped bowling in the Company league. The decision was made "not for lack of interest, but for lack of time", because his loyalty to his fellow employees at this time was even more pronounced than it ever had been.

The pension plan was still to come, but no employee ever retired from B-A in need. Mr. Ellsworth personally investigated their means and, if necessary, they received a monthly allowance from B-A for the rest of their lives. The argument that he gave nothing to the employee who had saved his money to provide his own retirement income, yet rewarded the carefree, spendthrift employee, left Mr. Ellsworth unmoved. While he commended the thrifty employee, it was the destitute employee who needed financial assistance, and Mr. Ellsworth saw to it that he got it.

It was fortunate that B-A was well established because, in 1929, only two years after Mr. Ellsworth was named President, the New York Stock Market collapsed in a frenzy of selling that evaporated fortunes in one day. The Great Depression had begun its gloomy course.

It is a tribute to Mr. Ellsworth's extraordinary business acumen, almost amounting to genius in retrospect, that the same years that ruined so many companies marked, for B-A, the beginning of an unprecedented era of expansion.

1927 Gulf signed a successful contract whereby, in return for allowing the Texas Gulf Sulphur Company to mine sulphur on certain Gulf properties, it received 50 per cent of Texas Gulf profits. In 1934, the profit-sharing stipulation was exchanged for 1,300,000 shares of Texas Gulf stock. In 1948, Gulf distributed 174,542 shares – worth about $10,400,000 – to shareholders as a special dividend. During 1948, 1949 and 1950 other shares were sold for a net of more than $28 million. Late in 1954, Texas Gulf declared a 3-for-1 stock split which increased Gulf's holdings to approximately 1,266,000 shares. In April, 1957, Gulf sold its interest (1.2 million shares) for more than $33 million before taxes. Altogether the deal brought Gulf an aggregate return of about $71 million exclusive of dividends.

1928 The company's fifth refinery was built at Sweetwater, Texas...In the late summer and early fall of this year, Gulfpride – the world's finest motor oil – was marketed for the first time. This product, made by the Alchlor process, was one result of 13 years' effort and several million dollars invested in research and development.

1929 Gulf extended production operations into California as Western Gulf Oil Company, a new producing subsidiary, with headquarters in Los Angeles, was formed.

1930 A pipe line was laid from Oklahoma to Ohio, and construction of refineries was initiated at Cincinnati and Pittsburgh. The Paragon Refining Company was purchased, including a refinery at Toledo which was completely rebuilt. Thus the company's sixth, seventh and eighth refineries were added in what later was to become known as the Great Depression.

1931 W.L.Mellon became Chairman of the Board of Directors and J.F.Drake succeeded him as President...In Texas, proration of oil production as a conservation measure was begun...By the end of its 30th year Gulf's assets had climbed to $444,490,000.

1932 Gulf management began the long-term task of consolidating the company's growth. As a result, the four major elements of the company – production, transportation, manufacturing and marketing – were put on a departmental accounting system so their effectiveness to the over-all results could be gauged. Policy of decentralization was inaugurated...The 38-storey Gulf Oil Building, in Pittsburgh, was opened as Gulf's executive offices.

1933 Gulf became full owner of a chain of European marketing companies, the acquisition of which had begun several years previously...The Staten Island Refinery in New York City began operating, replacing the Bayonne Refinery which terminated operations on November 2, 1932.

Plans were immediately speeded up for a new refinery at Montreal. A great ocean port providing ready access for Texas and other imported crudes, Montreal also was the natural distributing center for the ever-widening Quebec market.

In the economic history of Canada it is significant that B-A was one of the first major oil companies to build a refinery at Montreal East. The trend has since transformed the Montreal area into Canada's main oil refining center, and one of the major processing centers in North America.

Construction of Montreal East Refinery represented a bold step for another reason. The industry was still divided as to the best method of cracking petroleum to obtain the higher quality gasolines required by the constantly-improving automobile engines. Montreal East Refinery contained several processing innovations. It was among the first on the continent to eliminate reaction chambers, and use waste heat from the cracking operation as the sole means of distilling the crude oil. The refinery also utilized an arrangement of equipment that permitted all refining steps to be carried out continuously. These and other unique operations were completely successful from the standpoint of increasing yields, quality and flexibility of operation and economy.

Nineteen-thirty was also a good year for Dad Joiner. A poor wild-catter from Arizona, he brought in the East Texas well that opened one of the largest oil fields in the world. It eventually covered 130,000 acres and supplied 26,000 producing wells from its estimated 5.8-billion-barrel reservoir. Moving quickly BAOP entered East Texas the following year.

Each forward step inevitably led to others. The opening of Montreal East Refinery and entry into East Texas created the problem of transporting crude from wellsite to refinery. The Company's answer was to acquire a tanker fleet to transport not only crude to the refinery, but finished products to distribution points as well.

In 1931, the first two units of the fleet, the *Britamoil* and *Britamolene*, were completed in English shipyards. The first ocean tanker was leased and carried its initial cargo of B-A crude to Montreal. The following year, the *Britamlube* and *Britamoco*, all lake tankers, and the river tanker *Britamette* joined the fleet.

In the meantime, changes had occurred in land transportation. Horse-drawn wagons had been superseded by railway tank cars and motor-driven trucks.

B-A had been one of the first oil companies in Canada to own tank trucks. The forerunner of today's giant tank-wagons, these Commers and Packards held some 300 gallons each and were the pride of Toronto Branch. Another, a battleship-grey Reo with brass oil lamps, made its distinguished appearance in Montreal in 1915. Within a few years all the horses and wagons had been replaced by motor vehicles, but it was several months before the teamsters-turned-truck-drivers stopped complaining about the disadvantages of driving an undependable vehicle equipped with solid rubber tires over roads designed for horse-drawn equipment.

The low point of depression came in 1933. And while the oil industry as an adjunct to the automotive age could not be permanently crippled by the crisis, its progress had certainly been slowed down. Much oil field activity was halted for lack of capital, many companies being reluctant to spend the money for normal maintenance.

Through it all, Mr. Ellsworth maintained his calm, business-as-usual attitude – almost as though the depression was non-existent. And while it was necessary to reduce the salaries of most employees, it was a matter of gratification that B-A did not lay off one employee during this period.

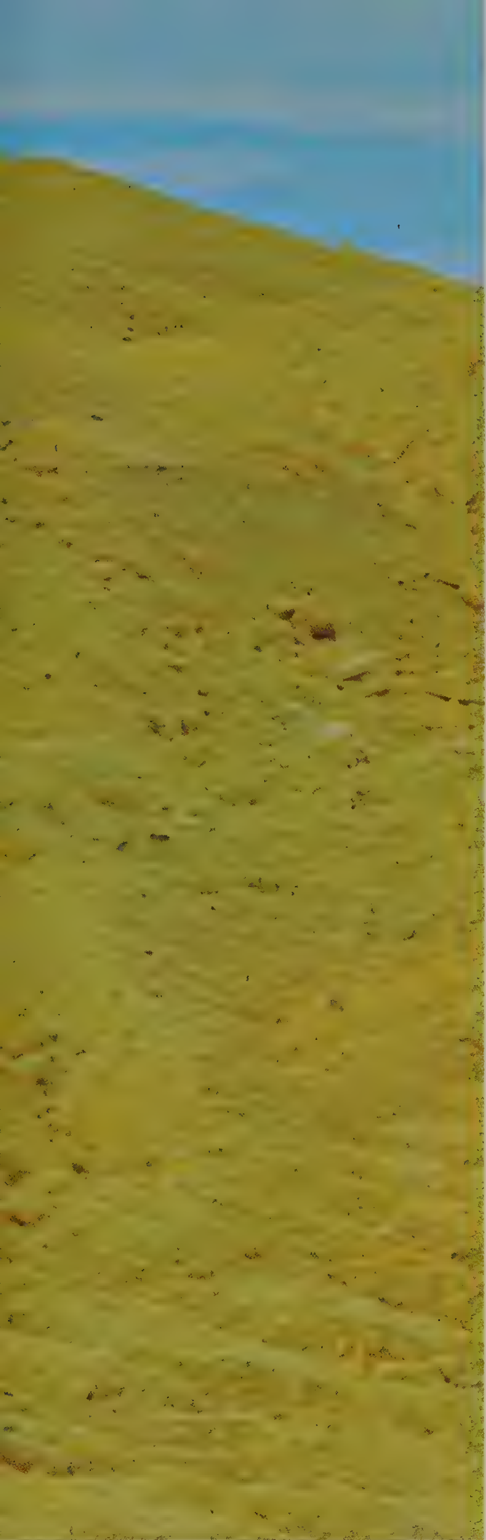
GULF OIL CANADA LIMITED...part of the Canadian scene

Drilling rig, Lookout Butte, Alberta

1

1. Sulphur production, Rimbey (Alberta) Gas Plant
2. Main lobby, Mount Pleasant (Toronto) Building
3. Saturate gas unit, Clarkson Refinery
4. Research Centre, Sheridan Park, Ontario

2



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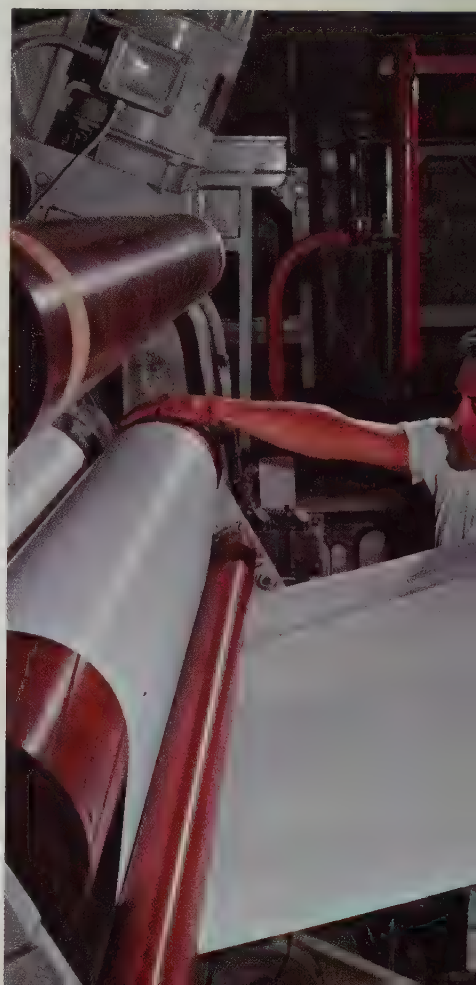

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6

1. Refining at -35° in Moose Jaw, Saskatchewan
2. Oil rig in Northern Alberta
3. Sheet vinyl production at Ste. Thérèse (Quebec) plant
4. Edmonton (Alberta) Refinery
5. Service station operations
6. Production activity in Western Canada

1. Superior Propane delivery in Ontario
2. Varennes pipe line near Montreal
3. Royalite service station, Western Canada
4. Production operations, Lookout Butte, Alberta
5. Propane for export moves through Rockies by rail
6. Landscaping at Mount Pleasant (Toronto) building

1

2

3

4

5

6

1. Atlantic Division offices at Halifax, Nova Scotia
2. Research Centre, Sheridan Park, Ontario
3. Edmonton (Alberta) Refinery
4. Canadian Helium Plant, Swift Current, Saskatchewan
5. Data Processing Centre, Toronto

1

2

3

4

1. Rimbey (Alberta) Gas Plant
2. Wayfare Restaurant near Montreal, Quebec
3. Automotive Diagnostic Centre, Toronto

1

3

Seismic operations, Fort McPherson, Northwest Territories

In 1934, B-A's third refinery went on stream at Moose Jaw, Saskatchewan. A small plant had been acquired from Sterling Oil Company, and additional acreage was purchased and a new plant soon built.

Western Canada was an area that received close attention from Mr. Ellsworth. In 1934, B-A purchased a refinery at Coutts and the Bell Refining Company at Calgary, and built Canada's first absorption plant at Longview, in Alberta. This plant was designed to extract natural gasoline from the wet gas – a mixture of gasoline and natural gas – produced from the Turner Valley wells, for use as a blending agent in gasoline. The refinery at Coutts, bought from Northwest Stellarene Company, was immediately modernized and a pipe line was built from Cut Bank, Montana, to supply it with crude oil.

The refining facilities in Alberta opened the hitherto untapped British Columbia market and, with the purchase of the R. J. Christian Oil Company in 1935, Company products became available throughout the Kootenay and Okanagan Valleys, and as far west as Kamloops.

The same year saw the B-A sign appear in the Maritimes. Through the purchase of Putnam Brothers, outlets were made available in New Brunswick and Nova Scotia.

Exploration activity in Western Canada highlighted 1936 operations. B-A had previously supplied funds to two independent drillers, Robert Brown and George Bell, the latter a proprietor of a Calgary newspaper, to work the Turner Valley area.

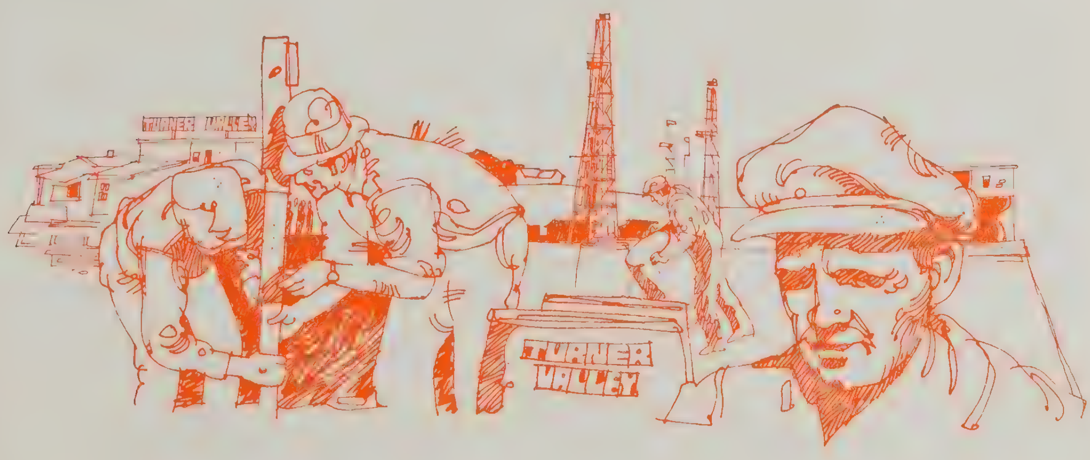
Turner Valley was regarded as primarily a naphtha field, but Brown and Bell drilled their well outside the known structure of the naphtha field. When, in June, Royalties No. 1 well blew in, it made Canadian history. Turner Valley was a major source of crude and B-A was in at the beginning.

During this period, manufacturing facilities in Eastern Canada were expanding almost without pause. Since the opening of Montreal East Refinery, Toronto Refinery had been mainly used as a skimming and cracking plant in producing gasolines, kerosenes, light fuel oil and coke.

In the meantime, increasing public demand for better highways had opened a tremendous market for asphalt and, by 1937, asphalt production was a major part of Montreal Refinery's output. Further substantial additions were made in 1938 to meet increasing product demands in Quebec and the Maritimes. Production jumped from 8,000 to 12,000 barrels per day, providing BAOP with a welcome outlet for its increasing U.S. production.

The Producing Company had made great strides, topping the million-barrel-a-year mark in only six years of operation.

But even more dramatic progress was to come. Following the death, in 1934, of



1934 After many years of negotiations, the Kuwait Oil Company signed a concession for exploration in the Middle Eastern Shaikhdom of Kuwait.

1935 Exploration was begun in Kuwait on the Persian Gulf...The many activities of the Gulf Research & Development Company were brought together in a new, large laboratory center at Harmarville, near Pittsburgh, Pennsylvania.

1936 With stockholder approval, the Gulf Oil Corporation of Pennsylvania, which had succeeded the Gulf Oil Corporation of New Jersey as the parent company in 1922, changed its name to simply Gulf Oil Corporation. This was attended by a 100 per cent stock dividend equal to $113,452,525.

1937 Gulf's marketing department began cultivation of the marine sales market which led to establishment of Gulf sales outlets for small boat owners on most of the coastal and inland waterways of the eastern and southern United States.:.On December 15, Gulf signed a $100 million contract with the International Petroleum Company of Canada, whereby it undertook to turn over to the Canadian company one-half of the Venezuelan production in exchange for the said sum plus one-half of production costs. The $100 million was payable over eight years. Gulf's production know-how counted heavily in this deal.

George W. Snedden, president of the Producing Company, Mr. Ellsworth appointed a young, California-born, Stanford-educated petroleum engineer named William K. Whiteford as executive vice-president and general manager of the subsidiary.

Mr. Whiteford was a man with purpose in life; a man dedicated to getting things done quickly. This dynamic quality manifested itself almost from the instant Mr. Whiteford took command of BAOP. His opening gambit, a move that caused cautious oilmen of the day to shudder, was to drill a wildcat well, Mary Green No. 1, right in the heart of a densely populated residential area in North Oklahoma City.

While there was favorable geophysical evidence for the move, there also was the disquieting knowledge that extremely high pressures would be encountered, and that a wild well could easily result in sufficient damage suits to bankrupt an organization of no greater size than the Producing Company.

For five long months members of the drilling crew at Mary Green virtually held their breath as they probed deeper and deeper through hazardously high rock pressures. Finally, on Christmas Day, 1935, they brought in Mary Green No. 1, opening up the best Christmas present an oilman could ever hope for – a 6,000-barrel-a-day gusher and a new field with ultimate reserves of approximately 55 million barrels. Almost overnight the Producing Company was catapulted out of the 1,000-barrel-a-day class into the elite 10,000-barrel-a-day category.

Having established a firm foothold, BAOP began extending its operations, moving into California, Kansas, Mississippi, Wyoming, Illinois and offshore into the Gulf of Mexico. This far-flung network of producing areas allowed BAOP not only to maintain production, but increase reserves despite the severe restrictions imposed on the industry during World War II.

1938 Gulf's marketing department inaugurated a complete retail training course for salaried sales personnel and distributors.

The Company's refining capacity in the west was also increasing substantially. The Coutts Refinery was now too small to handle the available crude oil production. As a result, a 4,500-barrel-per-day refinery was built at Calgary and went on stream in 1939. With Turner Valley crude oil at its doorstep, the refinery brought substantial savings in freight charges.

Calgary Refinery was built during a period of ominous events in Europe – the Nazi takeover of Germany, the desperate and ill-fated flights to Munich by Britain's Prime Minister, Neville Chamberlain, and the resultant German occupation of the Sudetenland region of Czechoslovakia. This counterpoint of destruction was far removed geographically from the noise of construction in suburban Calgary, and, when the refinery was officially opened in 1939, no shadow of the future war clouds marred the event.

1939 The first airborne magnetometer was developed by Gulf Research, but before it could be used to help find oil it went to war to help allied airmen detect enemy submarines.

Late in the thirties, the Company expanded its advertising program to include radio. "In the air . . . on water . . . and on land, it's B-A all the way," trumpeted the Company's advertisements.

At a time when both aircraft and gasoline were coming into their own, B-A began sponsoring *The Adventures of Jimmy Allen*, a program directed to youngsters and which encouraged their interest in airplanes and flying. "Call in at your local B-A station and ask your friendly dealer how you can eventually become a flight-lieutenant – wings and all!", read one commercial. This was the first B-A advertising campaign to incorporate an indirect appeal with the direct advertising message.

Surrounded by progress, Mr. Ellsworth and his associates could look back on

a decade of almost unbelievable development. Now a major corporate force throughout Canada, the Company was unique in being one of the few that had reversed the pattern by operating its own U.S. subsidiaries. B-A refineries were now serving each major geographical area; the Company was utilizing the most economical methods of transportation and its crude oil production and reserves were increasing. At a time when most industries were marking time or fighting to halt a retrogression, British American was forging ahead. Mr. Ellsworth had laid a firm foundation for the great challenges which the next few years would bring.

Canada joined the war against Germany on September 10, 1939, and if there was any doubt that we were in a fight, it was quickly dispelled with the announcement of the first employee casualty. Flight Sergeant J. Henry Smith, a wireless-operator/air-gunner with the R.C.A.F.'s 420 squadron and a former Montreal credit clerk, had been declared missing and presumed dead following an air battle over Europe. A subsequent report verified the fact that he had been killed in the crash of his aircraft and was buried in Denmark's Assens Cemetery.

1940 Gulf's service awards program for employees was commenced...Due largely to the rapidly mounting output of Venezuelan fields, Gulf's production began hitting new peaks.

The change from a peace to a war-time economy was slow and at first scarcely noticeable. During early 1940 there were still many unemployed despite the

large number who had joined the armed forces. In the industrial cities, factories were switching from the manufacturing of marine boilers to Bren guns. Here and there on the periphery of towns and cities, new buildings quickly went up, wooden and temporary in many cases, but destined to spew forth munitions, guns, tanks, depth charges, bombs, fighter planes and bombers, or to serve as barracks for the men and women who would be trained in their operation.

1941 The United States entered World War II. Eventually more than 6,000 Gulf employees served in the armed forces.

The buying habits of motorists became secondary as the oil industry geared itself to production for a market based on the needs of a navy, army and air force.

In Canada one of the major programs was the inauguration of the British Commonwealth Air Training Plan, a project destined to reach an unheard-of-magnitude. The BCATP required a new conception of production and logistics, and one of the keys to success was maintaining a supply of the fuels and lubricants for the thousands of aircraft being built for the gigantic undertaking.

To meet this new demand, the Directors and Officers of British American decided to expand the Company's construction program by building a new refinery and

lube oil plant at Clarkson, Ontario. The plans for the proposed $7-million Clarkson plant, financed entirely through the Company's own resources, were still in the blueprint stages when the Government requested important modifications. B-A immediately redesigned and expanded the plans to include the manufacture of aviation fuel. Entrusted with the all-important job of supervising the construction of Clarkson Refinery was M. S. Beringer, who had been with Northwest Stellarene at Coutts Refinery when that plant was acquired by B-A in 1934.

1942 A sharp production drop is experienced as German submarines hamper crude deliveries from Venezuela... This was the year of the Project Five pipe line in which Gulf participated with four other companies. In this operation, a 325-mile pipe line, originally used to carry Arkansas crude to Port Arthur, was reversed and extended to carry Port Arthur products to the Mississippi River at Helena, Arkansas.

Gradually British American meshed itself firmly in the war economy, searching for new sources of petroleum, enlisting the services of women workers to replace the men who had gone to war, diverting its tanker fleet to carrying vital oils and gasoline to Great Britain, and in many other ways.

An early B-A wartime feature was *B-A Bandwagon,* a nation-wide disc jockey program produced locally by 21 radio stations. Besides the hit tunes of the day the program carried community service announcements for such causes as the *Chins Up Club of England* and the *Jam for Britain Fund* and local salvage drives. However, its major accomplishment was in support of the Kinsmen-sponsored *Milk for Britain Fund.*

Later, when the tide of battle began to turn in favor of the Allies, B-A switched from radio sponsorship of *Bandwagon* to the series *Fighting Navy.*

Nationalism also figured in the Company's advertisements in newspapers, on billboards and over the radio. They stressed "If you buy B-A, you buy Canadian," even though customers were limited to a few ration coupons. In this way, B-A maintained customer good-will against the day when Company products would again be available in unlimited supply.

But B-A didn't leave it at that. With its manufacturing hands tied, marketing began publishing a *Conservation Service* bulletin to help motorists squeeze the last mile of service from their pre-war cars.

1943 Gulf stock now listed on the New York Stock Exchange. Previously it had been traded on the New York Curb... Initial purchases of British American Oil stock made by Gulf.

When Clarkson Refinery opened in November, 1943, it was with the unusual promise of a poorer product for Canadian motorists.

"To step up production of aviation gasoline, we will have to rob motor gasoline

of more of its light ends," said Canada's wartime oil controller C. G. Cottrelle at the official opening. "Gasoline will not only be shorter in supply than heretofore, but the quality will be poorer."

Designed specifically to produce aviation gasoline and a variety of high-grade and specialized lubricating oils, Clarkson was one of the most advanced and best located plants in North America. Operating with a minimum staff and the latest in automatic controls, it had a processing capacity of 11,550 barrels of crude daily.

The opening of Clarkson Refinery was important for another reason. It marked the elevation of Mr. Ellsworth to the position of Chairman of the Board of Directors (Mr. Parsons had died in 1932) and the appointment of William K. Whiteford, who was in a sense a protégé of Mr. Ellsworth, as President of British American.

People had often speculated on the necessarily exceptional nature of the man to whom Mr. Ellsworth would voluntarily turn over the reigns of management. Legend has it that, during the mid-thirties, with Mr. Ellsworth now in his sixties, he occasionally expressed moderate concern over the absence of someone who had been trained to be his successor. But only when his health began to decline, did he translate his concern into action.

The same legend has it that Mr. Ellsworth had no special appreciation of Mr. Whiteford's presidential capabilities until he followed the process of a lawsuit involving BAOP and a considerable amount of money.

While Mr. Whiteford's conduct of the suit reportedly impressed Mr. Ellsworth, it is debatable whether this would have been sufficient to influence him if this knowledge had not been coupled with BAOP's record of sound growth under Mr. Whiteford's efficient management and highlighted by his outstanding success in opening the Oklahoma City field. The background is secondary to the fact: Mr. Whiteford was brought to Head Office in Toronto in 1942 as executive vice-president.

The contrast between the two men was marked. Mr. Ellsworth was generally reserved with a deliberate manner of speaking that was emphasized by his care in choosing the exact words to convey his meaning. His successor readily showed his enthusiasm and invariably voiced opinions in an informal manner.

Mr. Whiteford was a new breed of oil man. He had commenced his career in the oil fields with the roughnecks and diggers. He came into the Company fresh and asked questions about everything he saw. To some there were ready answers, but to others there were pauses; not because the questions couldn't be answered, but because they had not been asked before. Mr. Ellsworth had rarely felt the need to ask questions – he usually knew. Mr. Whiteford was a new force in a Company that had been used to the dominant personality of Mr. Ellsworth since its founding.

With a consuming interest in people, it was only natural that Mr. Whiteford

played an active role in forming the Company's first Employees' Association, at Head Office in 1943. One of its initial functions was a dinner marking Mr. Ellsworth's elevation to the office of Board Chairman. Presented with an illuminated citation by the Association, he received a life membership in the new organization.

This awareness and appreciation of the employees who worked for British American was repaid time and again in the form of intense Company loyalty, especially in wartime.

At Kenora, Ontario, the branch manager, aware of a tank car shortage, spent part of Christmas Day unloading a shipment so that the car could be on its way the next day. In Winnipeg, two housewives took over their servicemen-husbands' service stations for the duration of the war. And a young lieutenant from Moose Jaw Refinery turned up at B-A's Toronto Office on leave from Officers' Training School at Brockville. Introducing himself to the Company's secretary, he asked to be put to work, no salary required. He just wanted to forget military life for a few days and brush up on his office experience. His request was granted with pay.

It was during this period that a small mimeographed bulletin called *Buy Words* was being distributed to the Company's sales force. However, news of enlistments gradually began creeping in and it wasn't long before it was enlarged to include news of the servicemen overseas. Soon it was being sent not only to employees across Canada but to enlisted employees serving around the world. In 1943, the name *Buy Words* was changed to *Commentator*. Now a quarter-century old, *Commentator* is one of the most respected employee publications in the country.

1944 The $48 million Neches Butane Products Company plant, operated by Gulf and four other oil companies and located near Port Arthur, began operating to supply butadiene needed for the manufacture of synthetic rubber...The Canadian Gulf Oil Company formed.

While Clarkson Refinery was the major construction initiated during the war, an important secondary installation was a gas repressuring and recycling system built in 1944 at Longview, Alberta. Designed to conserve declining Turner Valley resources, it was the first time in Canada such a project had been undertaken.

A major challenge among many facing the Marketing Department during war years was supplying petroleum products for the Alaska Highway project, a 1,600-mile supply line along which men and arms could flow to protect America's most northerly base. It was here that the Company's wide distribution system proved of great advantage. More than 100 large storage tanks were dismantled throughout the Prairies and transported to positions along the new road as it was bull-dozed through virgin forest and muskeg by the U.S. Corps of Engineers. These tanks were set up to supply the U.S. Army's motor fuel requirements from strategic points en route. In addition, 350 tank trucks carried petroleum supplies along the route from the railhead through the heat, mud and flies of summer and the sub-zero blizzards of winter.

Despite the growing size of B-A, top management was still a small, concentrated affair. Mr. Whiteford immediately set about gathering a team of executives who would be responsible for shouldering the burden of work for the main departments of the Company's operations. One member of this team was M. S. Beringer, then manager of refineries, who was made vice-president, Manufacturing.

Mr. Whiteford also laid long-range plans for the decentralization of operations, allotting maximum authority to local management personnel. This streamlined operations by eliminating routine details which had accumulated as the Company expanded, and put Head Office in the area of policy-making and decisions of major importance.

With the war now drawing to a victorious close, letters from employees overseas grew increasingly optimistic. In December, 1944, the first B-A servicemen returned to Canada and long-standing Company plans to return them to their jobs went into operation. A *Commentator* survey taken on August 15, 1945, listed 162 employees still in the services, 36 killed, presumed dead or missing, and 60 back at work. After six years of war the world was once again at peace.

1945 A $115 million refinery expansion program was started to meet the unprecedented post-war demand for oil products.

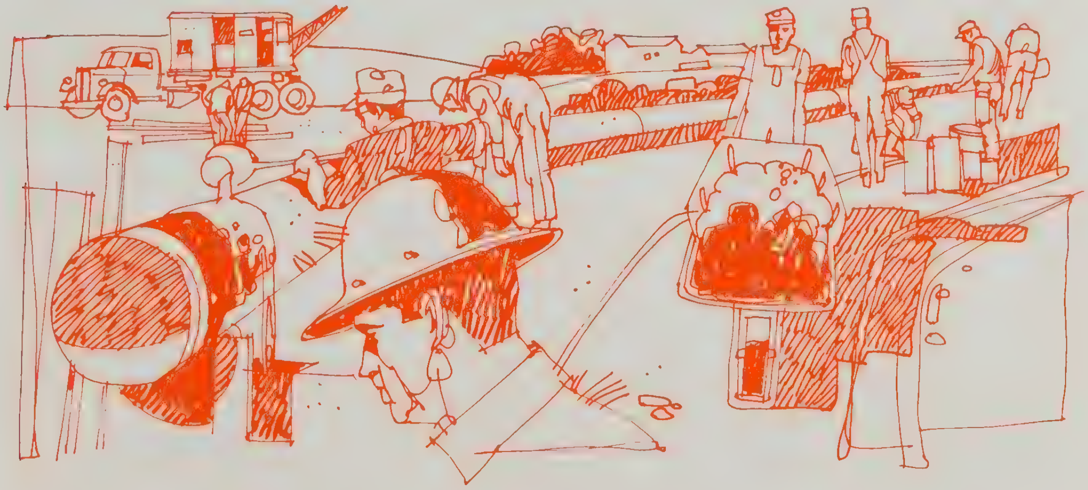
Many changes had taken place at B-A. Employees' Associations were now functioning in each marketing division and refinery. The executives of these Associations had helped lay the ground work for the introduction of a Retirement Income Plan, which was to become reality in 1946. The tempo of civilian life was increasing too. An unprecedented era of consumer buying had arrived. And as if in response, the Company poised for the greatest expansion program in its history.

One of the first steps was full-scale entry into British Columbia through the purchase of the assets of the Union Oil Company of Canada with outlets on the Pacific Coast and Vancouver Island. In 1946, arrangements were concluded with St. John's, Newfoundland, businessman L. V. Cashin for the distribution of B-A products on the Island. One of Mr. Ellsworth's earliest ambitions, to operate a Canadian oil company from coast to coast, was at last a reality, and Company advertising heralded the fact with its famous double-barrelled *Clean Across Canada* theme.

1946 The company began to market its own branded tires, tubes, batteries and accessories...First oil produced in Kuwait.

Matching the expansion in Canada, U.S. Producing Company activities had gradually been extended into 13 states, with 375 wells in California, Montana, Wyoming, Colorado, New Mexico, Nebraska, Kansas, Oklahoma, Texas, Louisiana, Mississippi, Arkansas and Illinois producing in excess of 12,000 barrels daily. The spectacular areas of operation were the Steamboat Butte and Pilot Butte oil fields near Casper, Wyoming. By 1947, these fields alone accounted for over two-thirds of the Company's U.S. reserves.

Transportation of this crude oil production meant increased use of pipe lines and gathering systems, of which B-A operated hundreds of miles through its subsidiary The Toronto Pipe Line Company. Another important entry into the pipe line field had been the Company's investment in the Montreal-Portland pipe line, which supplied Montreal East Refinery from a terminal at Portland, Maine. Completed in 1941, the pipe line reduced the round-trip between Venezuelan oil fields and Montreal by 1,860 miles and permitted year-round delivery of crude. Previous delivery was limited to the seven-month navigation season on the St. Lawrence River.



1947 Due to heavy demand and inadequacies of transport and refinery facilities, Gulf was forced to decline new consumer and resale accounts for gasoline, kerosene and fuel oil. This continued well into the following year... Gulf made a long-term deal to sell a large portion of Kuwait oil to Shell.

At the same time, research and improved refining methods were resulting in the development of still better products, particularly gasoline.

Major breakthroughs in gasoline production had occurred during World War II when the alkylation and catalytic cracking processes were developed to provide the higher-octane aviation gasolines required for aircraft engines. It was during this period that Nevr-Nox and Peerless gave way to two new gasolines, B-A 88 and B-A 98.

On February 13, 1947, the 40-year hunt for oil in Alberta reached an exciting climax when a gusher at Leduc unlocked the vast oil treasure of Western Canada. Leduc was followed by the discovery of the fabulous Redwater field in 1948. During 1948-49, aided by its U.S. subsidiary, B-A entered this field as a purchaser of crown acreage, establishing its position as an important oil producer in its own right in Western Canada. These discoveries had a tremendous effect on the Canadian oil industry and, naturally, on B-A, now one of the acknowledged leaders in that industry. And under Mr. Whiteford's direction, B-A employees worked with fresh determination to maintain that leadership.

1948 Sidney A.Swensrud became Gulf's fifth President, with J.F.Drake now Chairman of the Board...Sales passed the billion dollar mark for the first time.

1949 Seventeen months following his retirement as Chairman of the Board, W.L.Mellon – one of Gulf's founders and its active head for 45 years – died in his eighty-first year...The company moved into eighth place among the largest manufacturing concerns in the United States...A concession from the Danish government for exploration in Denmark was renegotiated and a search for oil or gas there intensified.

It was in 1947 that Mr. Whiteford spearheaded a move to replace the original B-A sign with a more contemporary corporate symbol. Commissioned to create the new symbol, Count Sahknoffsky, a New York specialist in creative design, chose the circle for its simplicity, shaped the halves into oil drops for symbolic identification, and added a bold B-A for quick recognition.

Early in 1948, a lube oil compounding and blending plant was added to Clarkson Refinery to complete the switch-over from war-time production of aviation gasoline principally, to the original conception of Clarkson Refinery as the main manufacturer of B-A lubricants.

At Montreal East, Mr. Whiteford turned the sod for an expansion that would double the capacity of that refinery. It was the first phase of a multi-million dollar post-war program.

Meanwhile, Toronto Refinery was dismantled after 42 years of service. Several pieces of equipment were shipped to Montreal East Refinery including the Dubbs coking chambers, installed in 1931. In one sense, these were refinery museum pieces, being among the first all-welded pressure vessels ever to have been manufactured in Canada. Unique in their time, they continued a useful life as storage tanks for liquid propane gas at Montreal.

A dinner for Toronto Refinery employees marked the end of the Company's original manufacturing unit, and closed an era in the Company's history. However, the

THE PHOTOGRAPHIC RECORD…

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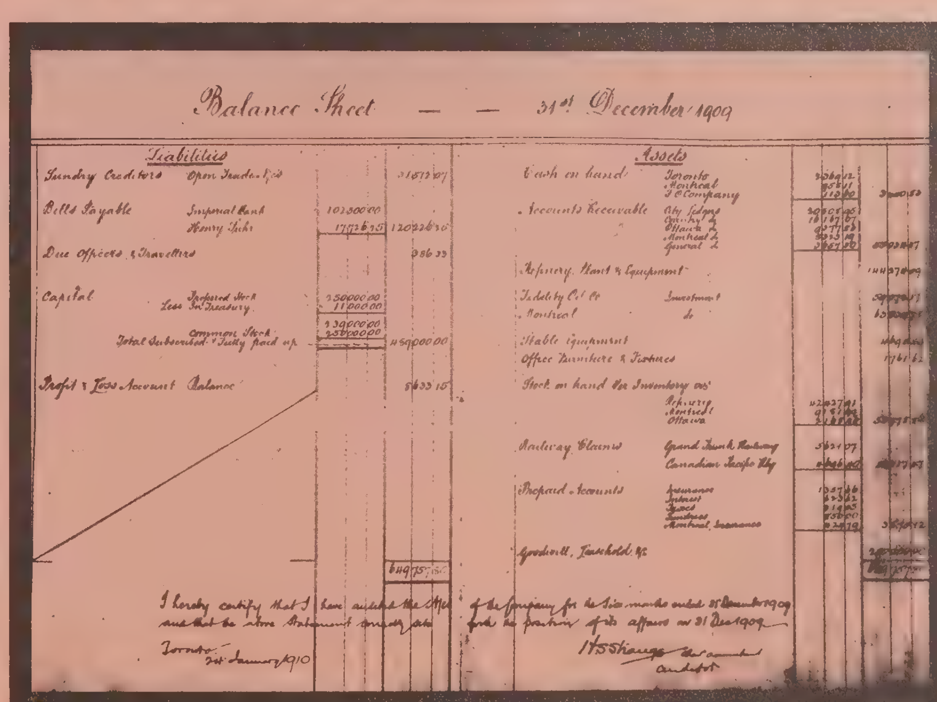
1) Horse-drawn 300-gallon tankwagon was used to deliver product to customers at St. Hyacinthe, Quebec, in early 1900's. 2) Company's first refinery was built at Cherry Street in Toronto in 1908. 3) The Company's balance sheet for 1909 was handwritten by Company's founder.



Balance Sheet — — 31st December 1909

Liabilities

Sundry Creditors	Open Trade a/cs		31512.07
Bills Payable	Imperial Bank	102500.00	
	Henry Sicks	17726.15	120226.15
Due Officers & Travellers			986.33
Capital	Preferred Stock	150000.00	
	Less In Treasury	11000.00	
		139000.00	
	Common Stock	250000.00	
	Total Subscribed & Fully paid up		459000.00
Profit & Loss Account	Balance		5633.15
			649757.60

Assets

Cash on hand	Toronto	2369.12	
	Montreal	958.11	
	[illegible] Company	113.80	[illegible]
Accounts Receivable	City Ledger	20501.05	
	Country do	16167.67	
	Ottawa do	4277.53	
	Montreal do	5925.19	
	General do	2657.00	[illegible]
Refinery, Plant & Equipment			144370.09
Fidelity Co. Co	Investment		[illegible]
Montreal	do		[illegible]
Stable Equipment			[illegible]
Office Furniture & Fixtures			1761.62
Stock on hand per Inventory a/c	Refinery	42427.91	
	Montreal	[illegible]	
	Ottawa	[illegible]	[illegible]
Railway Claims	Grand Trunk Railway	5621.07	
	Canadian Pacific Rly	[illegible]	[illegible]
Prepaid Accounts	Insurance	1357.66	
	Interest	[illegible]	
	Taxes	[illegible]	
	Sundries	[illegible]	
	Montreal Insurance	[illegible]	[illegible]
Goodwill, Leasehold &c			[illegible]
			[illegible]

I hereby certify that I have audited the [illegible] of the Company for the Six months ended 31 December 1909 and that the above Statement correctly [illegible] forth the position of its affairs on 31 Dec 1909

Toronto 21st January 1910

H S Sharpe [illegible]
Auditor

3

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1) Aristocrats of industry in 1914, teamsters earned $14 for 55-hour week. 2) B-A Founder and later President, A. L. Ellsworth (r) frequently hosted staff parties at his summer home on Crusoe Island in Muskoka. 3) A B-A salesman sets out from London Branch in his 1915 runabout.

5

4) Former Winnipeg Oil Company employees pose with pick-up truck in 1924. 5) Staff and Mr. Ellsworth (under I in American) celebrated arrival of Company's first railway tank car. 6) Wooden barrels and milk cans were used to transport gasoline in early days at London Branch. 7) *Britamlube,* early member of Company's tanker fleet, made first trip to Saint John, N.B., in 1935.

4


AT A.L. ELLSWORTH'S
CRUSOE ISLAND
BEAUMARIS
1933

3


CAN OIL CO., LTD.
TORONTO, CANAD


BRITISH AMERICAN OIL CO.

7


THE BRITISH AMER
OIL COMPANY

1) Company brought in major producing field on State Capitol grounds in Oklahoma City on Christmas Day, 1935. 2) 1932 Company softball team reached semi-finals in Toronto City B Softball League. 3) Trucks (front) replaced horse-drawn wagons (rear) at Outremont (Quebec) warehouse in early 1920's. 4) Hon. T. C. Douglas, Premier of Saskatchewan, opened the expanded Moose Jaw Refinery in 1952. Original refinery (5) was opened in 1934.

1


B.A.OIL


REFINERY

1) Initiated just prior to World War II, Company's White Car Patrol was shelved for the duration, then revived in post-war period. 2) A. L. Ellsworth, seated, brought successor W. K. Whiteford to Canada as vice-president in 1942. 3) Assisted by President A. L. Ellsworth (r) Government's wartime oil controller G. R. Cottrelle opened the ceremonial valve that put Clarkson Refinery on stream in 1943.

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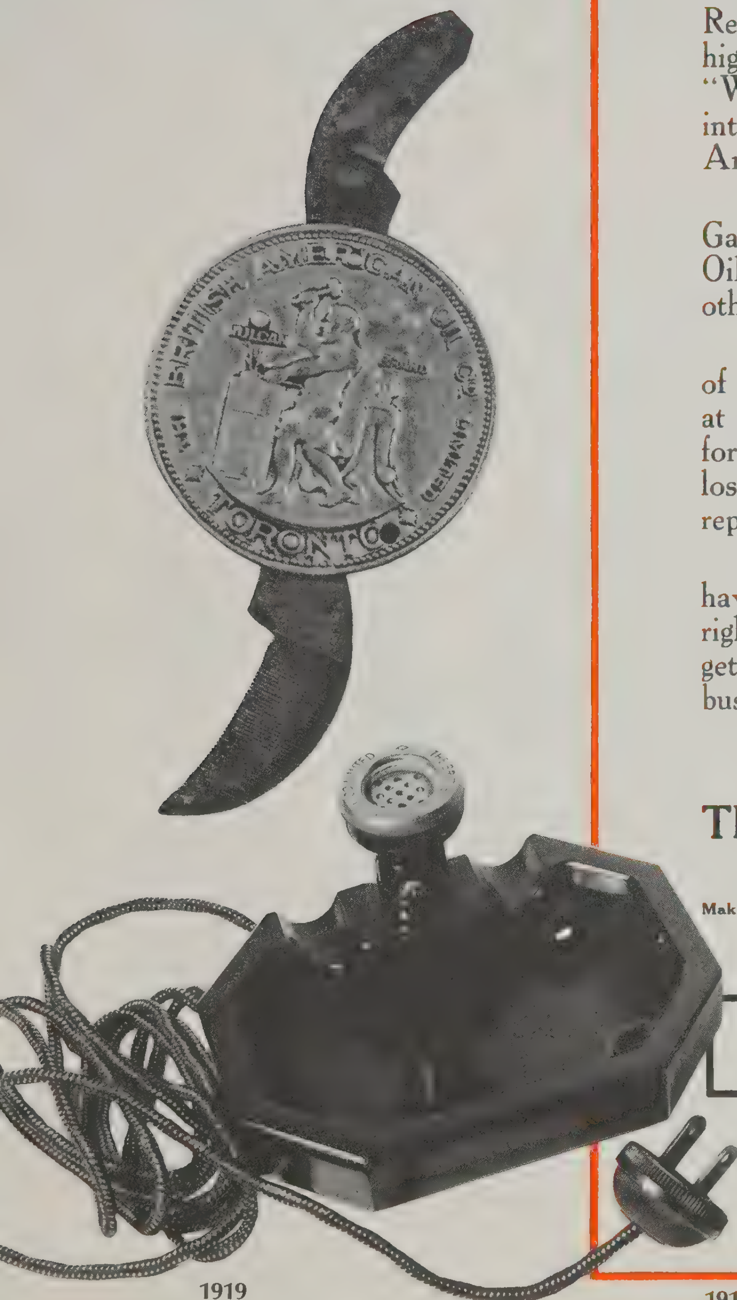
Sixty-three Years of Advertising



1919

"Giving Satisfaction"

This is the true measure of a manufacturer's service to his constituency. It has been our constant aim since we commenced to do business seven years ago. Our large and rapidly expanding trade is proof that our products and our methods of doing business appeal to our customers.

The greatest possible care and attention are given at our Refinery to the manufacture of the different lines—the highest obtainable quality being our goal. The statement "WE MAKE THAT GOOD OIL" has now passed into a proverb as referring to the products of The British American Oil Co.

We guarantee every gallon of "Peerless" and Motor Gasolene, Benzine, Lamp Oil, Lubricating Oil, "Ford Motor Oil," "Autolene" for other motors, Fuel Oil, Road Oil and other Products.

We are prepared to live up to the guarantee that if any of our goods are not as represented they may be returned at our expense and money will be refunded if already paid for same. In no case will we allow a customer to make a loss on account of our products not being equal to representation.

We make our products as good as we know how and have justifiable confidence in them. Our customers have a right to demand value for their money and we see that they get it. We do not pose as philanthropists; this is pure business.

Our watchword is "GIVING SATISFACTION."

The BRITISH AMERICAN OIL CO. Limited

Refiners, Foot of Cherry Street, Toronto

Makers of Famous "Vulcan" Oils and Greases for all makes of Motors, Steam and Electric Plants

Head Office: LUMSDEN BUILDING, TORONTO

Branches: MONTREAL, OTTAWA, LONDON

WE MAKE THAT GOOD OIL

1911

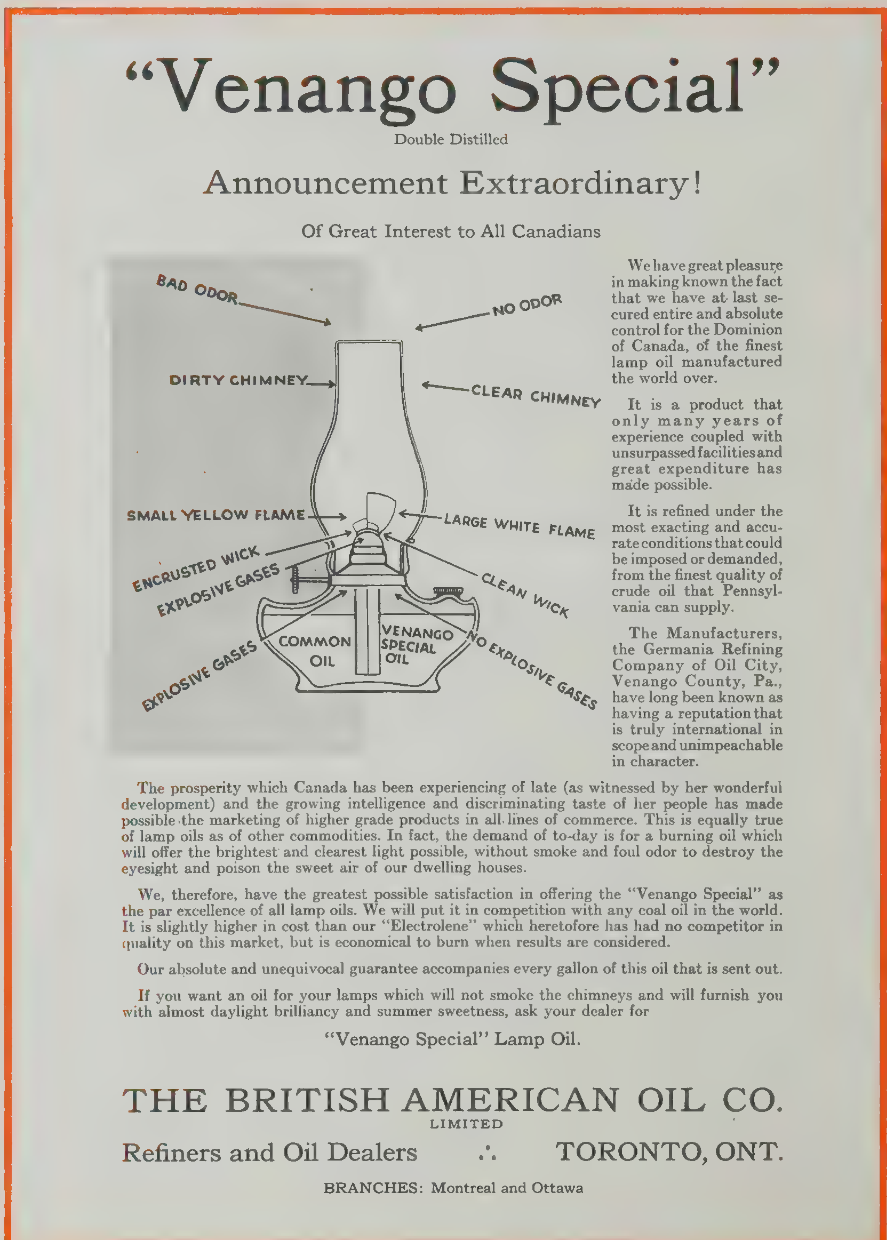
Viewed against the backdrop of the Canadian scene, Company advertising over six decades presents an interesting corporate profile.

Little advertising was done in the early days because Albert Ellsworth was not convinced of its effectiveness. A man of personal integrity, he believed that this attribute alone was sufficient to attract and hold customers. However, he soon discovered that the consuming public had a short memory and that integrity was of little value if people didn't know who you were in the first place.

Today, the Company's advertising program is a multi-media, multi-million dollar-a-year proposition —a far cry from the days when Albert Ellsworth used to give out pocket knives imprinted with the Company's name to regular customers.

1923

1923



1926

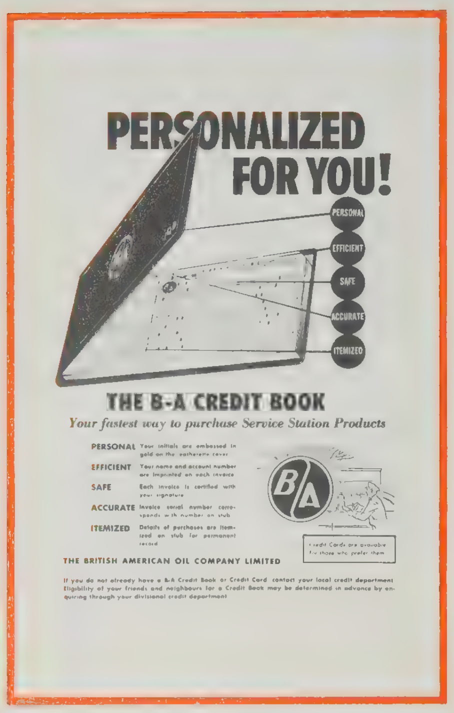
1927

1940

1928

1947

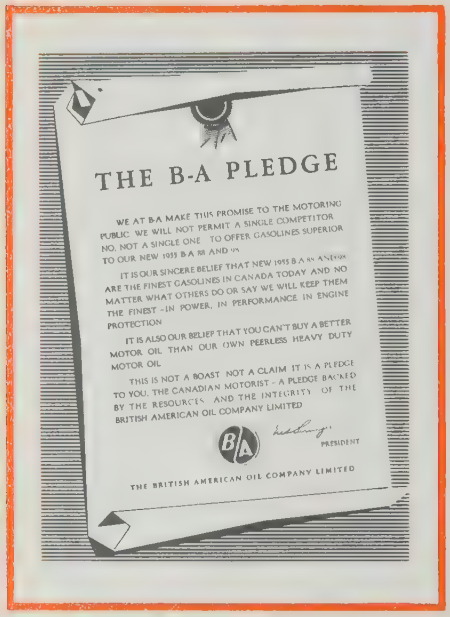
1957



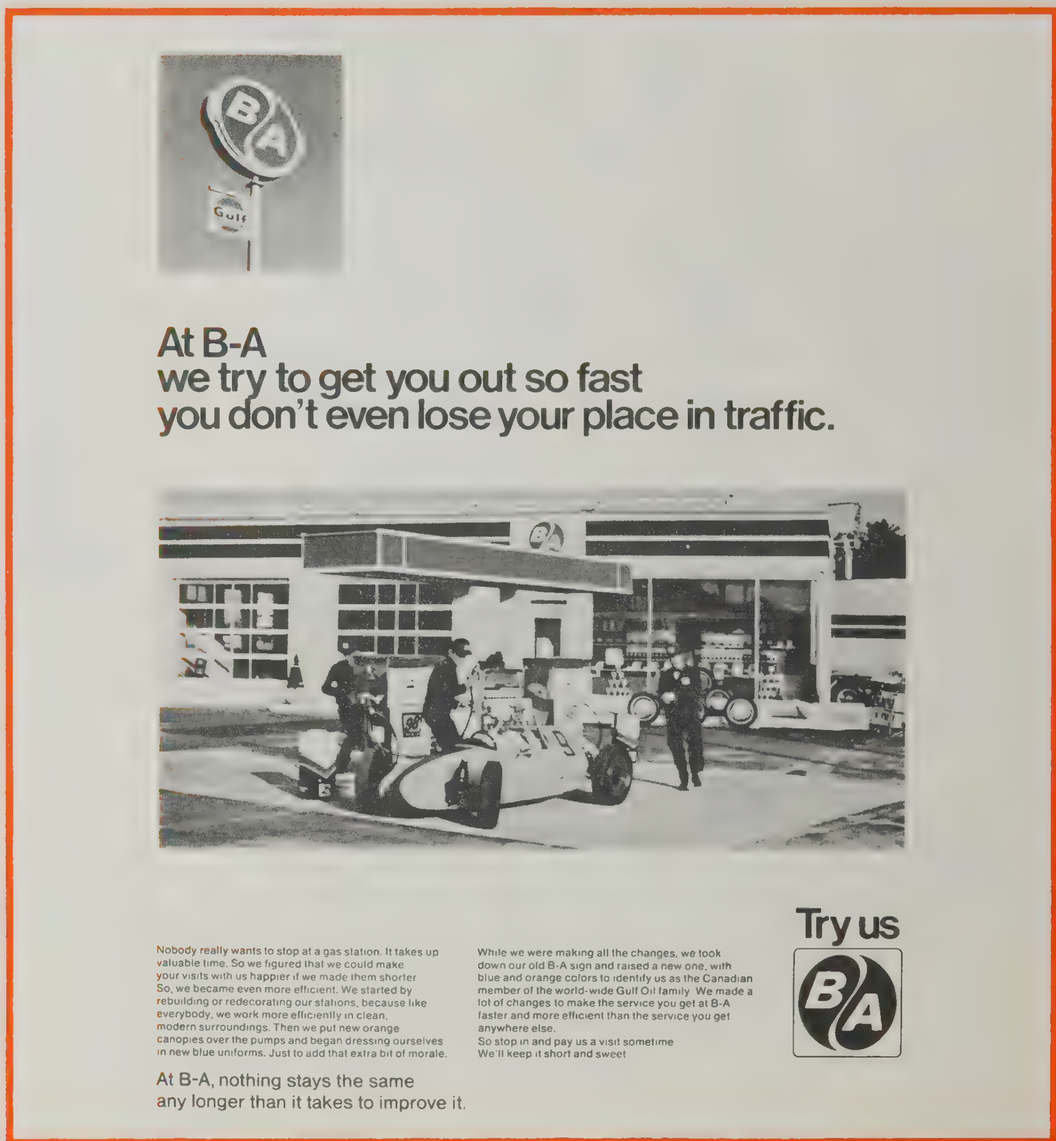
1952

1957

1959



1955

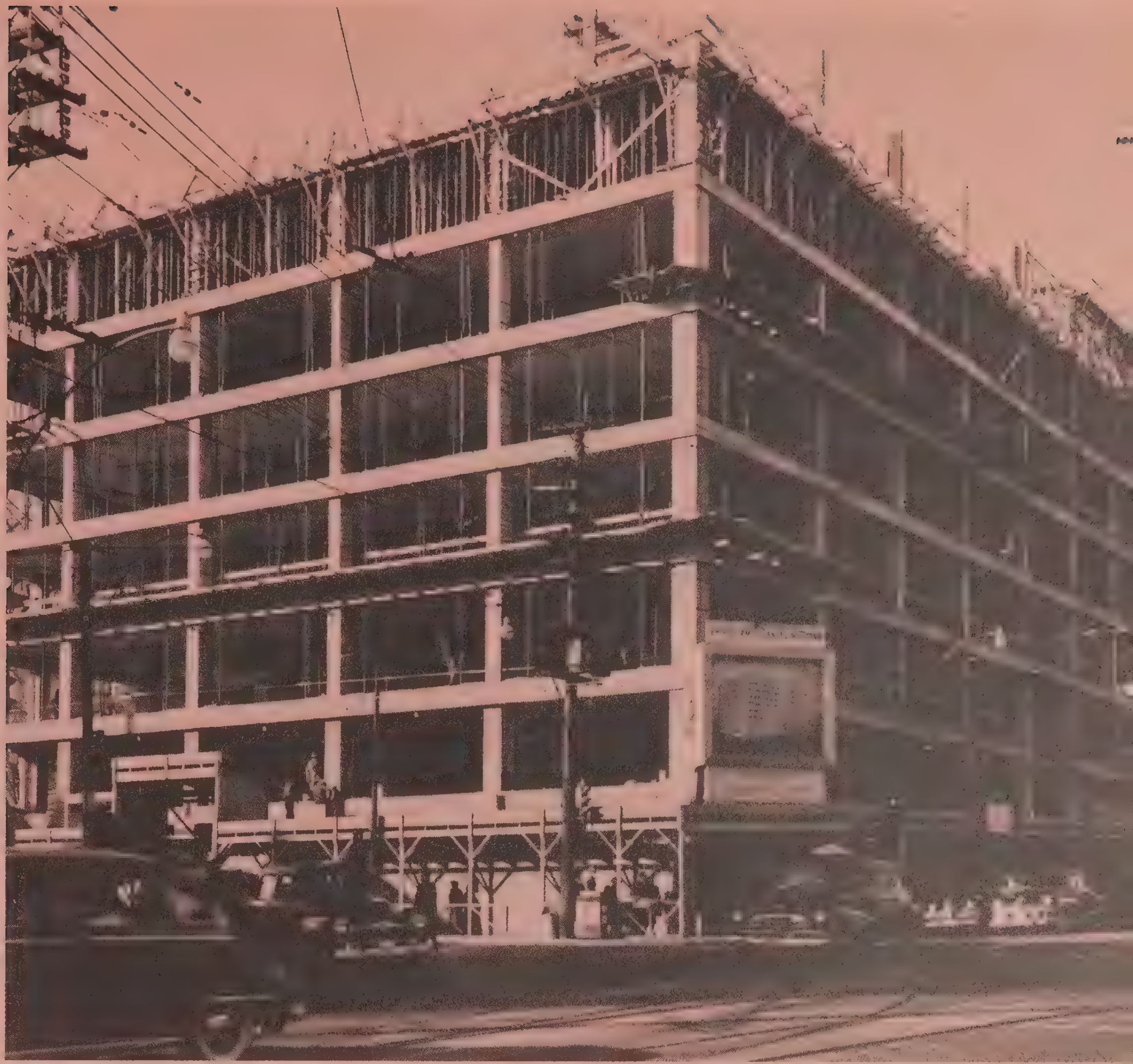


1968

1) Danish-born artist-employee Thor Hansen was commissioned to create distinctive Canadiana décor for Company's Head Office building which was opened in 1951. 2) Following his appointment as Company President in 1943, W. K. Whiteford (c) visited employee groups from coast-to-coast. 3) Worst fire in Company's history destroyed section of Toronto Branch in 1948. Loss was estimated at $300,000.

2


B A PEERLESS



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1) With Mrs. M. S. Beringer, wife of Company's President, wielding the traditional bottle of champagne, *B A Peerless* 2) slid down the ways at Collingwood, Ontario, in 1952. 3) B-A teamed up with Shawinigan Water and Power Corporation to build petro-chemical plant at Montreal East in 1953. 4) Company's Head Office building in Toronto was officially opened in 1951.

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1) Employees using mass spectrometer discovered helium in Swift Current, Sask., well sample in 1958. 2) Alberta Premier E. C. Manning (r) and President E. D. Brockett opened expanded Pincher Creek plant in 1958. 3) Closed-circuit TV show introduced Velvet 98 campaign in 1957. 4) Company's 50th anniversary year, 1956, was marked by acquisition of Canadian Gulf Oil Company. 5) Board Chairman M. S. Beringer (r) and E. D. Brockett review crude production increase that resulted from Canadian Gulf acquisition. 6) 1964 saw opening of Company's Research Centre near Toronto by 7) Ontario Prime Minister John Robarts (l) and President E. D. Loughney. 8) Following their appointments in 1964, President Charles Hay (l) and Board Chairman Clarence Shepard met employees during cross-Canada tour.

1) Halifax Mayor Allen O'Brien and Charles Hay cut ribbon to open new Atlantic Division office building in 1967. 2) Company's new orange-and-blue corporate colors were introduced in 1967. 3) 1968 saw the beginning of construction on Company's Point Tupper Refinery on Cape Breton Island.

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occasion offered little time for sentiment, but rather underlined the fact that B-A was a growing industrial corporation, one that could offer employees a good future.

A sad milestone came a few months later when, on November 29, 1950, A. L. Ellsworth died in his 75th year. Mr. Ellsworth had lived a full life and had experienced the privilege of seeing his early ambitions develop into a company that was monumental in the Canadian oil industry.

In a tribute to Mr. Ellsworth at the time of his death, *Commentator* said: "No man left more standing memorials – in every city, hamlet, and along highways from Newfoundland to British Columbia, and in the 13 American States where B-A subsidiary companies operate. From that first small Toronto office, he was responsible for making British American a national by-word – a by-word of quality products that arose from his insistence that no one shall make better products nor give better service.

"Mr. Ellsworth's favorite maxim: "Those who say things can't be done are constantly being surprised by other people doing them", proved a mighty yardstick for the young man from Welland who defied the experts' prediction of failure to become a respected leader in Canadian industry. His dream of operating a Canadian oil company from coast-to-coast had been realized."

As final proof of his foresight and planning, Mr. Ellsworth's death did nothing to interrupt the Company's progress. With Mr. Whiteford at the helm, the Company continued to forge steadily forward. The Marketing Department now blanketed Canada. Canadian crude oil was beginning to flow – from nearly 60 Company wells in Alberta. And a new refinery, opened at Edmonton in 1951, had given Alberta its first catalytic cracking unit.

Also in 1951, the 600 Head Office and Ontario Division employees moved into the British American Oil Building, a handsome eight-storey building at Bay and College Streets, Toronto. This, the Company's first Head Office building, featured a distinctive interior décor that reflected the Company's Canadian heritage by the employment of stylized designs of Canadian flora and fauna. Thor Hansen, who had joined B-A's Regina Division in 1930 after emigrating from Denmark, created all the original designs, which were later executed by outstanding Canadian artists and craftsmen. Hansen's program of Canadiana décor was subsequently extended to every major Company installation across Canada and received considerable national and international acclaim as a unique public relations endeavor.

The long-awaited Interprovincial pipe line, now completed, was delivering Western Canadian crude from Edmonton to the Great Lakes terminal at Superior, Wisconsin. To supply Clarkson Refinery with the crude, plans were drawn up for the construction of the *B A Peerless*, one of the largest lake tankers in the world. The addition of this vessel brought to 22 the number of lake and ocean tankers operated on the Company's behalf.

Under Mr. Whiteford's leadership, employees continued to enjoy job benefits that ranked with the best in Canadian industry. Following the Retirement Income Plan, Group Insurance had been increased and an equitable system of job evaluation and salary administration introduced. In all of these matters, the Employees' Association worked amicably and constructively with management.

In August, 1951, W. K. Whiteford relinquished the presidency to become Chairman of the Board of Directors. Two months later he announced his resignation from the

1950 Gulf production, refining and sales volumes reached all-time highs... Distribution of Gulf products was secured in several major midwestern areas including Chicago, as marketing operations continue to expand.

1951 Gulf begins its second half-century...On December 1, W.K.Whiteford joined the company as a Director and Executive Vice-President...Construction began on the West Texas Gulf Pipe Line from West Texas to the Gulf Coast... The world's largest catalytic cracking unit was completed at Port Arthur...In the petrochemical field, Gulf began construction of plants at Port Arthur for the manufacture of ethylene and iso-octyl alcohol...Gulf products now being sold in 37 states.

1952 Stepped-up activity in exploration both in the United States and abroad was aimed at diversifying the company's production and reserves. In Canada, the company drilled or participated in ventures which discovered three new oil fields and two new gas fields. World-wide exploratory efforts resulted in 58 additional discoveries of oil or gas in either new pools or fields...Marine operations reached a new high when, for the first time, over 200 million barrels of crude and product were moved... Refinery modernization and expansion continued. At Philadelphia, construction got underway on a major expansion program to boost total capacity to 180,000 barrels daily...Gulf joined with B.F.Goodrich Company to form Goodrich-Gulf Chemicals, Inc.

Company to accept an executive position with the U.S.-based Gulf Oil Corporation.

In less than a decade, Mr. Whiteford had left a recognizable mark on the shape of B-A affairs. A buoyant national economy and his inherent organizing ability had combined to build the relationship between the Company and its employees to a degree of strength that was unique in a Company so large and widespread.

Assessing the relative contributions of Mr. Ellsworth and Mr. Whiteford, one senior employee who had worked with both men said: "Mr. Ellsworth took an idea and transformed it into a great company. Mr. Whiteford took that company and turned it into a great corporation."

The Company now could confidently draw on the growing strength of its executive team. The next two presidents were members of Mr. Whiteford's team: Ole Berg, Jr., who brought a lifetime of oil business experience to the post; and M. S. Beringer, the first man to assume the dual responsibilities of Board Chairman and President.

B-A's fifth decade saw a dynamic pattern of developments as great as any in Canadian industrial history. Among the important developments were: completion of the Trans-Northern and Platte pipe lines; the petrochemical B.A.-Shawinigan plant in Montreal East; the Clarkson grease plant; *B A Canada,* a new ocean tanker; catalytic cracking units at Moose Jaw and Clarkson refineries, all under the Presidency of Mr. Berg; a Company office building in Vancouver; catalytic reforming units at Calgary and Montreal East refineries, with a third planned for Clarkson.

Expansion was a way of life with Mr. Beringer, who, during his years as head of B-A's manufacturing operations, initiated and carried to completion the building of the Longview gas plant and Clarkson, Calgary and Edmonton refineries; the expansion of Montreal East Refinery, including the Company's first catalytic cracker; and the lube blending plant at Clarkson. The aggressive post-war expansion program nearly tripled the capacity of B-A's five refineries within a ten-year period.

The beginning of the Company's half-century was marked by an urgent need for more crude oil and gas reserves. Like the other integrated companies, B-A, since war's end, had been receiving most of its income from manufacturing and marketing operations. Now as supplies began to equate more closely with demand, a period of intense competition developed and earnings from these sources began a gradual decline.

For B-A, 1956 was a year of decision. One of the oil trade's tough facts of life – the urgent need for more crude oil and gas reserves – had to be faced squarely. B-A had not shared in the early major discoveries in Western Canada. Nor could 50 years of success hide the fact that, in 1955, the Company's combined production of crude oil, most of which came from its U.S. subsidiary, accounted for only 32 per cent

1953 Earnings reached a new high of $1.9 billion...The first wildcat test on the Ragusa concession, Sicily, found oil. The volume of gasoline manufactured in 1953 was the greatest in the company's history because of the refinery modernization and expansion program...Gulf products were available to motorists and truckers in 37,000 outlets in 37 states...The year marked the 25th anniversary of Gulfpride motor oil, a leader among premium oils since its introduction in 1928.

1954 An extensive program for exploration of underwater leases in the Gulf of Mexico was started...An additional 125,000 acres of leases in Federal offshore areas were acquired adjacent to Louisiana and Texas late in 1954...In foreign operations, Gulf's share of production in Venezuela reached the highest level ever attained to date; crude oil production in Kuwait was greater than in any previous year; production and refining of crude oil in Iran was resumed under the consortium agreement between Iran and a group of eight oil companies, including Gulf... Super-refined No-Nox was introduced with the largest merchandising and advertising campaign in the company's history...Construction of a new automotive products laboratory got underway at the Research Center in Harmarville, Pennsylvania...E.D.Brockett, Jr., was elected Vice-President of the Corporation to succeed Ben C.Belt as manager of the Houston Production Division.

1955 A record-breaking period for Gulf and for the petroleum industry in general. As compared to 1954, crude oil production increased nine per cent in the United States, seven per cent in Venezuela, 29 per cent in Canada, and 16 per cent in Kuwait, for a world total of 886,000 barrels per day, or 16 per cent more than the previous year... Negotiations were started for the acquisition of Warren Petroleum Corporation ...Promising discoveries were made in offshore leases in the Gulf of Mexico.

of its refineries, requirements – an extremely inadequate ratio for an expanding operation.

An important decision had to be made. It was essential that B-A either develop adequate crude oil and gas reserves through Company exploration activities, or to be content with a strictly refiner-marketer operation. To follow the first course would certainly lead to another problem. Development of reserves would require years of intensive exploration and entail heavy expenditures through the entire period, with little immediate prospect of improvement in earnings and return on investment. However, there was a third alternative: acquire existing reserves from established producers and thus achieve an immediate improvement in the Company's reserve position.

The last possibility led naturally to Gulf Oil Corporation, which already owned about 25 per cent of B-A's outstanding capital stock. This relationship between the two companies had been fostered further by William K. Whiteford, who was now Gulf's president.

B-A's interest related specifically to Gulf's extensive oil and gas properties in Western Canada, held through its wholly-owned subsidiary, Canadian Gulf Oil Company. Commencing operations in Canada in 1941, and encouraged by a major oil discovery in the Stettler field eight years later, Gulf Oil had invested some $135 million in exploration activities in Canada. By the end of 1955, Canadian Gulf had

working interest in 542 oil and condensate wells capable of production in 28 different fields. Net reserves of crude oil, condensate and natural gas liquids were estimated at 300 million barrels, approximately nine per cent of the total estimated reserves of the Canadian petroleum industry.

These enviable reserves presented an enticing lure. The critical question was whether it would be possible to work out a deal for B-A to acquire Canadian Gulf.

A committee with representatives from both companies, assisted by independent petroleum engineering consultants, was established to evaluate the assets of both Canadian firms. Once this committee had deemed the proposal as feasible, actual negotiations got underway. The eventual outcome was the transfer of 8.3 million B-A common shares to Gulf in exchange for the assets of Canadian Gulf Oil Company.

1956 Further diversification was accomplished through five major transactions: acquisition of additional stock interest in British American Oil in exchange for Gulf's Canadian production and pipe line companies; acquisition of Warren Petroleum Corporation; investment of $120 million in convertible debentures of the Union Oil Company of California; purchase of new concessions covering large acreage in Lake Maracaibo, Venezuela; and acquisition of concessions in Bolivia of more than seven million acres.

The effects of the transaction were immediate and transforming. Overnight, B-A increased its land holdings in Western Canada from one million to 11 million acres; multiplied crude oil reserves in the same area by ten. And, with gas reserves increased many times over, B-A was now the largest holder of natural gas reserves in Canada.

Thus, in its 50th year, B-A finally outgrew its original role as a marketer-refiner in Canada and moved confidently into the ranks of the fully-integrated oil companies.

With adequate reserves assured, B-A embarked on another Canada-wide program of expansion. The first stage of the Pincher Creek, Alberta, gas plant was completed in 1956. This was followed, in 1957, by the addition of catalytic reformer and crude unit facilities that tripled the capacity of Clarkson Refinery to over 60,000 barrels-per-day. Another catalytic reformer went on stream at Edmonton Refinery. On the West Coast, President M. S. Beringer and Premier W. A. C. Bennett of British Columbia participated in a sod-turning ceremony that marked the beginning of B-A's sixth refinery – at Port Moody, B.C. – to supply the growing petroleum needs of that area.

During the year, distinctive new quarters were opened in the Town of Mount Royal for Quebec Division and Eastern Data Centre employees.

On the marketing side, the Company was pledging "We will not permit a single competitor to offer gasolines superior to our new B-A 88 and 98 gasolines" and, through continuous product improvement, it kept its word.

By 1957, larger cars with more powerful engines were requiring even better premium gasoline and B-A had it in Velvet 98. To introduce the new product properly,

1957 The year opened with the Suez Canal closed to traffic, thoroughly disrupting normal lanes of world oil supply before being reopened...Four new research laboratories were dedicated at the Research Center, Harmarville...Gulf Eastern Company and Gulf European Company, two wholly-owned subsidiaries, were reorganized and opened offices in London.

1958 Despite adverse economic conditions during the year, results for Gulf were relatively satisfactory. While lower oil prices interrupted the rising earnings trend which marked every year since 1950, the 1958 period ended with an improved working capital position and a reduction in long-term debt...A completely new Dealer Development Program was undertaken to increase over-all efficiency in service station operation and management and to improve customer relations...David Proctor, former Executive Vice-President, was elected Chairman of the Board...E.D.Brockett became President of The British American Oil Company Limited.

the Company turned to the brand new medium of closed-circuit television, presenting a coast-to-coast dealer program complete with music, comedy and a high-kicking chorus line.

Throughout the post-war period, B-A advertising in newspapers and on radio and TV had emphasized cleanliness and service in the service station. A White Car fleet ensured sparkling rest-room facilities. The *Clean Across Canada* theme first introduced in 1946 was dusted off and again became one of the country's best-known commercial slogans. Adding personality to the program, a clean-cut Mr. B-A smiled reassuringly from a thousand billboards.

In Toronto, M. S. Beringer retired as President and was succeeded by E. D. Brockett, an international oilman with 25 years experience in the Middle East, Venezuela and the U.S., and who prior to this appointment had been vice-president and world-wide co-ordinator of production for Gulf Oil. A little over a year later, in 1960, Mr. Brockett returned to Gulf and subsequent appointments as President and then Board Chairman.

In an unprecedented double-barrelled ceremony in October, 1958, B-A opened two major plants within a 48-hour period. In Alberta, the second stage of the Pincher Creek gas processing plant, to supply natural gas to the fast-developing markets of Eastern Canada, was commissioned. The next day, officials moved to British Columbia for the opening of Port Moody Refinery.

Television and Canadian football were both reaching new peaks of popularity when B-A decided, in 1959, to tell its product story to the nation via TV sponsorship of Canadian Football League games.

Mr. Brockett was succeeded by the Company's seventh President, E. D. Loughney. A third-generation oilman, he came to Canada in 1951 to head the Canadian Gulf operation in Calgary, and had been a vice-president and Director of B-A since the Gulf acquisition in 1956.

1959 Several departmental offices were transferred from the Pittsburgh general office to locations nearer their major operating areas: Domestic Production and Domestic Manufacturing to Houston, Texas; Western Hemisphere Extraterritorial Marketing to Fort Lauderdale, Florida; Governmental Relations to Washington, D.C.…A full line Marketing program was initiated in Puerto Rico, and expansion of outlets in other Central and South American and Caribbean areas got underway…Laurel Pipe Line from Philadelphia to Cleveland was dedicated…R.O.Rhoades was elected Chairman of the Board, succeeding David Proctor…J.Frank Drake resigned as an active member of the Board of Directors and was designated Director Emeritus…E.D.Brockett was elected Executive Vice-President of the Corporation effective January 1, 1960.

1960 Improvements in earnings, nearly twice those of 1959, came entirely from operations in the United States. Over the past decade, Gulf's growth from U.S. operations equalled 10.6 per cent; and from world-wide operations, its average growth was 11.5 per cent. Gulf's growth rate for the past decade was twice that of the United States as an economic entity, based on the 5.9 per cent per year increase in Gross National Product…During the year, Gulf acquired the Wilshire Oil Company of California …W.K.Whiteford was elected Chairman of the Board, and E.D.Brockett became President of the Corporation.

1961 A new marketing program for gasolines involved the withdrawal of Gulf Crest, a super premium motor fuel, and the introduction of Gulftane, an economy gasoline designed for cars less critical in their fuel needs. Gulf's premium motor fuel, redesignated New No-Nox, also was improved in quality and Gulf-patented additives, formerly used only in Gulf Crest, were incorporated. Good Gulf gasoline was also upgraded...Gulf sold its $120 million in convertible debentures of Union Oil Company of California which had been acquired as an investment in 1956.

1962 Gulf's share of Kuwait production began exceeding a million barrels a day. Off Louisiana, 117,000 acres were acquired for $75 million at Federal auction; by year's end, two fields were discovered and others extended. New Nigerian concessions were obtained and exploration began in the Niger River delta. Substantial oil and gas reserves were confirmed in Bolivia's Santa Cruz area. Overseas, gas liquids operations were expanded in Norway, Sweden and the Bahamas...Full ownership of Nordisk Gulf-Gas in Denmark was acquired. A 10,000-barrel-per-day refinery in the Philippines went on stream. Gulf shared interest in it with Philippine nationals. Petrochemicals activities moved overseas, after U.S. expansion; cumene from new Philadelphia, Pa., units went for upgrading to a new Italian facility in which Gulf has an interest. Goodrich-Gulf Chemicals began manufacture of a new synthetic rubber, Ameripol CB. Gulf Oil Trading Company was created to develop cargo lot sales from Gulf's foreign refineries. Retail outlets were acquired in Sicily and Norway, and the first Gulf service station was opened in the United Kingdom...A deep water terminal was completed in Hong Kong.

1963 The Orange Disc trademark was redesigned to make it more clearly identifiable...Offshore Louisiana, three new fields and two major extensions to previously known ones were discovered on leases acquired in 1962...A contract signed with Texas Eastern Transmission Company for 4.4 trillion cubic feet of gas from offshore Louisiana reserves will bring Gulf $1 billion in revenues over 26 years...The first two Nigerian wells were drilled, both successfully. Two new wells in Colombia also suggested reserves of major magnitude. Ethiopian Gulf Oil Company won rights to explore

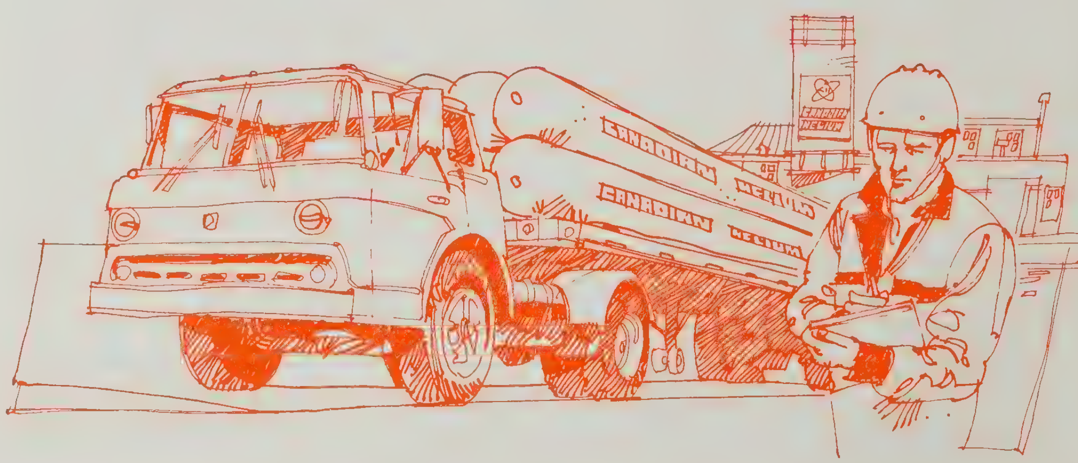
Under his leadership, B-A continued to experience a steady measure of progress. Construction of Canada's largest gas plant, at Rimbey, Alberta, was completed in 1961. The following year, 800 Calgary employees, including those of the Western Data Centre, moved into new quarters in the British American Oil Building. Previously, in 1960, Ontario Division and Eastern Data Centre employees had settled in their distinctive building at Davisville and Mount Pleasant in Toronto. Both events were the result of the growing trend in the industry towards data processing and computerization.

By 1962, improved refining techniques – a hydrogen desulphurizer and catalytic reforming unit at Moose Jaw, a crude and reformer unit expansion at Calgary, an alkylation unit at Clarkson, benzene and cyclohexane units at Montreal East and a condensate unit at Edmonton – had brought new refining standards to all B-A refineries.

This period in the Company's development was highlighted by a series of acquisitions as B-A continued to expand and diversify its operations. Affiliate companies joining the B-A family during the early sixties included The Royalite Oil Company, Limited, a fully-integrated oil company operating in Western Canada; Anglo-American Exploration (Purity 99) Limited, a western Canadian petroleum marketing company; and Superior Propane Limited, the largest distributor of propane in Eastern Canada. B-A also participated in the formation of Cansulex Limited, a sulphur exporting company.

In 1963, B-A increased its holdings in Shawinigan Chemicals Limited – the original 25 per cent was acquired in 1961 – to 66⅔ per cent and initiated a period in which the Company acquired a firm foothold in the rapidly developing petrochemical industry.

Another totally unexpected highlight of 1963 was the discovery that an otherwise worthless well drilled previously near Swift Current, Saskatchewan, was rich in helium! This significant find prompted B-A to join with The British Oxygen Company of England and L'air liquide of France as equal partners in forming a new company, Canadian Helium Limited, to extract and market the rare gas.



B-A's foothold in the petrochemical industry was further consolidated in mid-1963 when Shawinigan Chemicals opened a new $20-million ethylene acetaldehyde plant at Varennes, P.Q.

In June of 1964, E. D. Loughney became a senior vice-president of Gulf Oil and was succeeded as B-A President by Charles Hay, formerly president of Royalite. At the same time, C. D. Shepard was appointed Chairman of the Board. Subsequent to these appointments, and reflecting the Company's long-standing interest in its employees, the three executives embarked on a comprehensive cross-Canada tour of B-A installations, familiarizing themselves further with both the employees and the Company.

The formation of the British American Research and Development Company as a new division of B-A, together with the opening, in 1964, of a new $4-million Research and Development Centre at Sheridan Park, Ontario, underlined the growing importance the industry was placing on research. The prime objective in the creation of the Centre was to consolidate the increasing number of Company research personnel under one roof. With scientists working in an atmosphere that provided creative opportunities for research, the Centre immediately started making an invaluable contribution to the Company's operating departments.

During 1964, Quebec Division, Montreal Data Centre and Shawinigan Chemicals employees moved into new quarters on the 35th and 36th floors of Montreal's impressive Place Ville Marie building. In British Columbia, the Pacific Division staff was relocated in Vancouver's handsome East Asiatic House.

On the marketing scene, the Soaring Sixties had taken off from where the fifties paused, with more super-highways, more places to go, and speedier cars to travel in. People now were driving everywhere, at any time, and gasolines were being blended to perform efficiently under many conditions – Calgary's high altitude, the sub-zero of a Prairie winter, and the dampness of the Atlantic coast.

11,000 square miles along the Red Sea Coast...Denmark's largest LP-Gas terminal was put in operation; two terminals were opened in Norway...The *Ralph O.Rhoades*, a highly automated 48,000-deadweight-ton-tanker, was delivered...A modern 18,600-barrels-per-day refinery near Purvis, Miss., was acquired. Two new 30,000-barrels-per-day refineries were completed, in Denmark and at Rotterdam, Holland. The Kuwait Refinery was enlarged to 250,000 barrels-per-day...Spencer Chemical was acquired, to significantly broaden Gulf's participation in this field. A new chemical complex at Cedar Bayou, Texas, went on stream, adding high purity polypropylene to the petrochemical product list.The Port Arthur refinery added high purity normal alpha olefins...Pittsburgh & Midway Coal Mining Company, acquired with Spencer, provided a new energy dimension...A joint development arrangement was initiated with Holiday Inns of America ...In Italy, Gulf was introduced through some 700 locations.

1964 Gulf's Board of Directors was enlarged to 10 members, with the addition of Executive Vice Presidents I.G.Davis and B.R.Dorsey...Advancements continued in Nigeria, where four additional fields were found; in Colombia, where seven additional producers were drilled over a wide area; in Bolivia, where a pipe line was begun so that substantial reserves could be delivered to the Pacific Coast; and in the North Sea, where concessions were granted off England and Scotland. Acreage also was obtained in Ecuador adjacent to the Colombian finds. An arrangement was concluded to supply substantial quantities of Kuwait crude to Italy and to dispose of the Ragusa Field in Sicily... The *J.Frank Drake,* second of three highly automated tankers, was delivered...At Venice, La., construction began on a gas liquids plant and 20,000-barrels-per-day refinery; refineries in California and Puerto Rico were expanding; and plans were initiated for a 40,000 b/d refinery and petrochemical complex at Huelva, Spain, and a 60,000 b/d refinery at Milford Haven, Wales. Construction of a chemicals plant was begun at Cedar Bayou, Tex., to produce high-purity normal alpha olefins, and in South Korea, plans were announced for construction of a fertilizer plant...A new marketing terminal was established at Cardiff, in the United Kingdom.

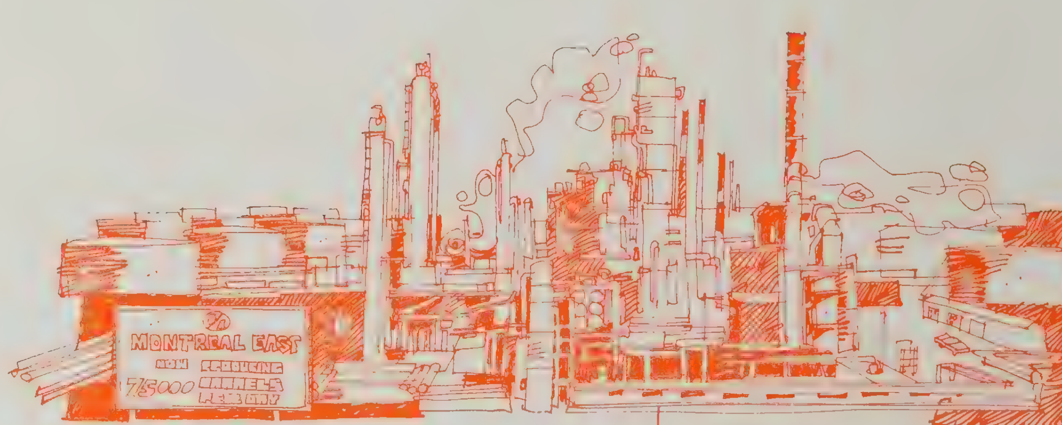
This was the era of the consumer and many companies were wooing buyers with fabulous prizes. B-A added to the fun with top-flight entertainment and prizes on *B-A Musical Showcase* and *Le Grand Prix Musical B-A*. Later, *B-A Lucky Bucks,* offering pump-side fun and cash prizes, provided customers with a little instant pleasure while buying gasoline.

January 1, 1965, brought with it a realignment of operations in Western Canada with the sale by B-A of the marketing assets and business of Purity 99 Limited, a wholly-owned subsidiary, to Royalite and the signing of operating agreements between B-A and affiliates, The Royalite Oil Company, Limited, and Anglo-Canadian Oils Limited. The move resulted in improved efficiency in the areas of production, manufacturing and supply and distribution. Royalite, in addition to the increased marketing volumes resulting from the Purity purchase, also took over the marketing operations of Anglo-Canadian in Manitoba and the Lakehead. At the same time, B-A took over operation of Royalite's production properties and facilities and refineries at Saskatoon, Saskatchewan, and Kamloops, British Columbia; and Anglo-Canadian's refinery at Brandon, Manitoba.

In 1966, a new crude unit increased the capacity of Montreal East Refinery to 75,000 barrels-per-day. And, to mark the 50th anniversary of its chemical research activities in Canada, Shawinigan Chemicals Limited opened a multi-million dollar Research and Technical Service Centre at Ste. Anne de Bellevue in Quebec. Formation of The British American Realty Company was announced in April and three months later, its first project, a motor-hotel service station complex at Oakville, Ontario, was underway. The complex is leased to Holiday Inns, with whom Gulf Canada has a credit card arrangement as a convenience to travellers.

A move of major significance occurred in mid-1966 when, faced with a continual decline in production and a steady rise in the cost of finding new reserves to replace each year's production, coupled with the fact that Canadian reserves were now sufficiently large to support the Canadian petroleum industry, B-A sold its wholly-owned U.S. producing subsidiary to the Chared Corporation, a non-profit charitable and educational organization in Dallas, Texas. Subsequent to this sale, the BAOP assets, with certain exceptions, were acquired by Gulf Oil, and the operations merged with Gulf's own U.S. exploration and production activities.

The net cash proceeds to B-A of $86.1 million, after retiring debts of $101 million,



1965 W.K.Whiteford retired as Board Chairman and Chief Executive Officer (but remained a Director), and was succeeded by E.D.Brockett. B.R.Dorsey became President...A new oil field was discovered offshore of Louisiana, the fifth since leases were acquired at a Federal sale in 1962. In Nigeria, the count now was up to 11 fields discovered out of 12 wildcats drilled; the first field, Okan, was placed on production, with 24 producers completed out of 26 drilled. A new field was discovered in Ecuador, and another in Iran. The first exploratory well was drilled in Ethiopia, and a geophysical survey was begun in concessions offshore of Australia...Construction was begun on a Cedar Bayou, Tex., polyethylene plant. Two aromatics, at Port Arthur, Tex., and Philadelphia, Pa., came on stream. Also it was decided to build a fertilizer plant at Donaldsonville, La., and to add petrochemical complexes at the Huelva, Spain, and Milford Haven, Wales, refineries. In Taiwan, a 1,500-barrels-per-day lubricating oil plant went on stream. At Ulsan, Korea, plans were announced to boost the refinery from 35,000 b/d to 55,000 b/d, and in the Philippines, the 10,000 b/d refinery will have its capacity doubled... The *William Larimer Mellon,* third of the automated tankers, was accepted. ...More than 400 new service stations were opened in the U.S. and 170 in Europe, and marketing was extended into Guatemala, the Out Islands of the Bahamas and the U.S. Virgin Islands.

1966 The Bantry Bay Project was initiated. This called for the construction of six mammoth tankers for long-term charter to Gulf, and the establishment of a large transshipping terminal in Bantry Bay, Ireland...Some 2,300 outlets were acquired from Cities Service Oil Company, covering all, or parts, of ten mid-continental states; this, plus other new stations opened, extended the Gulf service station system into all 48 states of the continental U.S. for the first time ...Executive Vice-President E.D.Loughney and general counsel R.H.Savage were elected Directors...A joint venture with a Japanese company will return Gulf to Alaskan exploration...The pipe line from the Bolivian fields to the Pacific Coast at Arica, Chile, was com-

GULF OIL CORPORATION...a world-wide family of companies

LP-Gas sales office in Portuguese Macau

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1. Geophysical activity in Bolivia
2. Production operations in Colombia
3. Opening of Leith Terminal, Scotland
4. Gas plant in Venezuela
5. H.M. Queen Elizabeth II opens Wales' Milford Haven Refinery
6. Producing well in Libya, North Africa


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1. Refining operations in Korea
2. Filoil Refinery, The Philippines
3. Gulf China Lube Oil Plant, Formosa
4. Laser research at Harmarville, Pennsylvania
5. Marketing operations in Sweden
6. Production crew in Kuwait

1

1. Transportation in Panama
2. Refining operations in the U.S.
3. Supertanker during sea trials near Japan
4. Ellesmere Port Terminal, Cheshire, England
5. Service station in Puerto Rico

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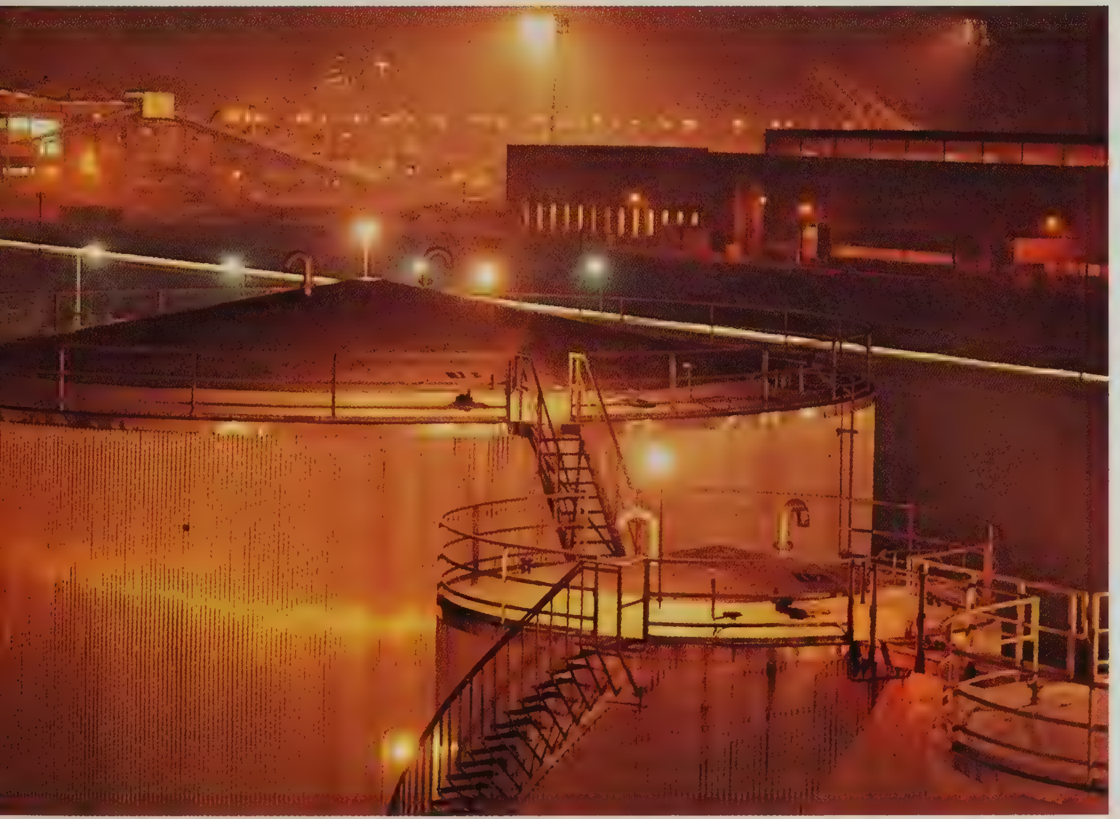

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1. Serving the motoring public in Italy
2. Marine bunkering facilities in Holland
3. Gulf's Huelva Refinery in Spain
4. Gulf Reston, a planned community in Virginia
5. Drilling operations in Nigeria

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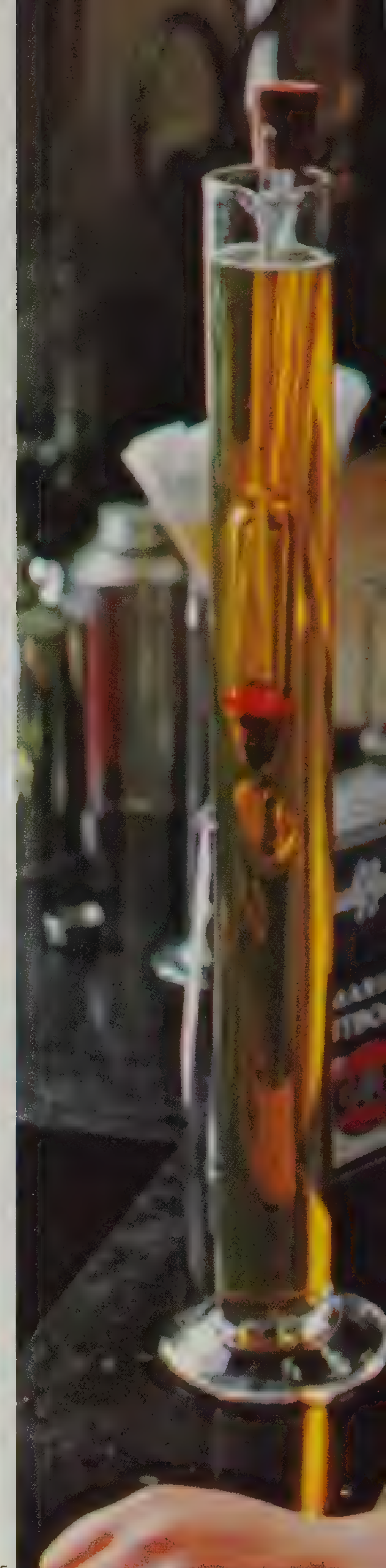
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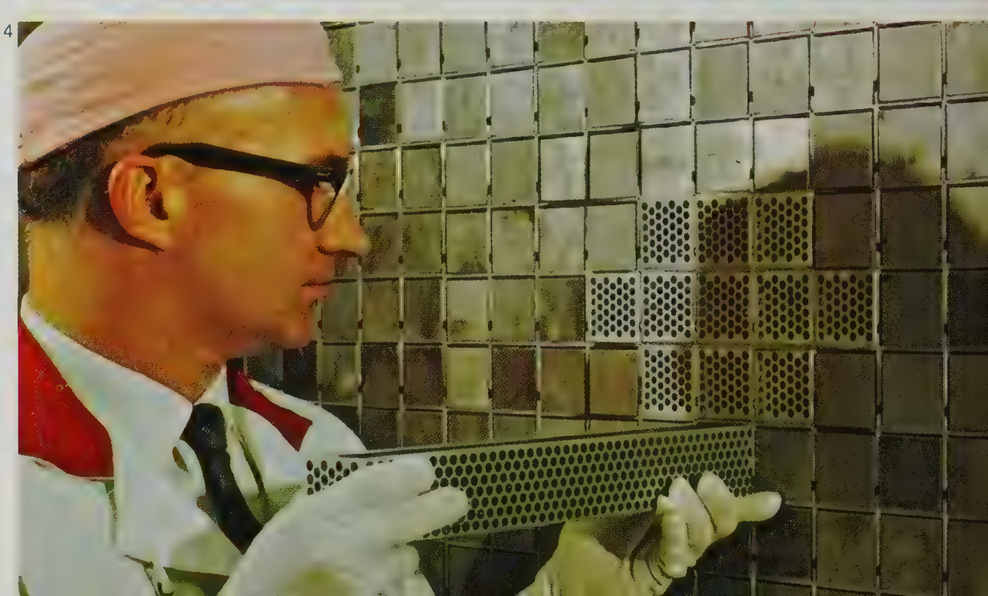

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1. Marketing operations in Norway
2. Dedication ceremonies at Europoort Refinery, Holland
3. Terminal operation in Finland
4. Research at Gulf General Atomic, San Diego, California
5. Quality control lab in Switzerland
6. Service station in Belgium
7. Gulf Oil Corporation Building, Pittsburgh, Pennsylvania

Offshore drilling near Cabinda, West Africa

were made available for further development and expansion of the Company's widely-diversified petroleum and petrochemical operations in Canada.

In the 12 years following the acquisition of Canadian Gulf, assets and sales had increased impressively. Gross income rose from $279 million in 1956 to $575 million, and net earnings from $25 million to $42.5 million. Production totals over the same period also climbed dramatically as operations of the two companies merged into a mutually-advantageous unit under the B-A sign.

Meanwhile, international competition in the petroleum industry was increasing steadily. In Canada, for instance, not only American companies, but French, Japanese, British and Dutch-based firms were actively searching for crude oil. The petroleum industry began to assume global dimensions.

In this situation, B-A's long-time association with Gulf became even more significant, providing vital flexibility in the broadening and diversifying industry.

The tempo of this closer affiliation picked up in 1967 when, after two years of studies into color combinations and designs, the familiar B-A rondel was redesigned in the attractive orange-and-blue color combination that was so familiar to Gulf customers in the United States. At the same time, a service station modernization program, incorporating a clean, contemporary blue-ribbon look, attracted increasing numbers of Canadian motorists.

Also prominently displayed was a travel card sign identifying B-A as the Canadian member of the world-wide Gulf family of companies. To maximize the effect of the change, Gulf introduced its U.S. customers to the Canadian affiliate by means of a multi-phased promotional program.

The new station design was introduced in the Montreal area in time for Expo '67 – an ideal opportunity to test the reaction to the new corporate image at the customer level. Results were gratifying with credit card sales and cash purchases from both U.S. and Canadian motorists showing significant increases. All of the Company's 5,000 service station outlets across Canada subsequently received the attractive blue-ribbon look.

Service stations weren't the only things modernized. In July, the Company opened a new ten-storey office building, car park and Western Tire outlet in Halifax.

Gulf Oil's world-wide influence and its benefit to B-A was again evident in 1968 when President Charles Hay announced a $50-million, 60,000-barrel-per-day refinery for Point Tupper on Cape Breton Island. Situated close to a natural, year-round harbor, the refinery is assured of a dependable supply of crude oil from world producing areas via Gulf's growing fleet of giant 326,000 deadweight ton supertankers.

On the other side of the ledger, an announcement was made in September that the refinery at Brandon, Manitoba, would close in April, 1969. Obsolete and uneconomical, the 4,000 barrel-per-day refinery had been built in 1936 by local businessmen and operated, since 1965, by B-A's Manufacturing Department as part of the Anglo-Canadian assets.

Emphasizing its basic interest in employees, the Company relocated as many as possible, both within the Company and in Brandon, and provided substantial settlements based on length of service for those granted early retirement or released.

Further consolidating its position in the Canadian petrochemicals industry, the Company exchanged 627,849 shares for the remaining one-third interest in Shawinigan Chemicals held by Gulf Oil.

Catching the spirit of change that was flowing through the organization, Company advertising now announced, "At B-A, nothing stays the same any longer than it takes to improve it."

pleted...Drilling was resumed in Cabinda, West Africa, with success, and an enlarged concession obtained. Geological studies were made in the Cameroons.The South East Asia Gulf Company, to seek exploratory opportunities in that area, was established with offices in Singapore...A 94,000-deadweight-ton tanker was ordered in a Spanish shipyard...A total of 232 new Gulf stations were opened in the 11 European countries in which Gulf conducts retail operations. A new Hong Kong terminal was begun.

1967 A $25 million capital gain from the sale of Gulf's interest in Transwestern pipe line was partially offset by an $11 million loss resulting from devaluation of currencies in several countries in which Gulf operates...The Suez Canal was closed, but production increases in the U.S., Canada, Iran, Venezuela and elsewhere, plus reorganized shipping schedules, kept customers in Europe and the Far East adequately supplied. Initial concessions were obtained in South East Asia, in the Gulf of Siam and onshore near Bangkok...The gas liquids plant in Venezuela is undergoing 50 per cent expansion, and a fifth expansion of the Kuwait plant was completed to raise its capacity 28.5 per cent...Feeding tests were begun on a high protein food product being developed as part of Gulf's chemical interests...A new refinery and natural gas processing complex at Venice, La., went into operation, permits were granted for refineries in Okinawa and Italy, refineries were acquired in Switzerland and Ecuador, and expansion began at the Ulsan, Korea, refinery...Retail marketing operations were extended in Chile, Ecuador, Korea, the Philippines and Hong Kong... Gulf General Atomic Inc. was acquired, and an exploration program for uranium launched...The first Spanish-built tanker joined Gulf's fleet; plans also were announced for a transshipment terminal in the Ryukyu Islands to serve Gulf's 326,000 dwt tankers...In research, a floating research-exploration laboratory vessel began to gather oceanographic data; Pittsburgh & Midway Coal Mining Company began construction of a coal de-ashing pilot plant...Total assets of close to $6.5 billion were reported.

1968 A new step in Gulf's long-term decentralization program was taken with the establishment of Gulf Oil Company – U.S., Gulf Oil Company – Latin America, Gulf Oil Company – Eastern Hemisphere and Gulf Oil Company – Asia. Executive Offices remained in Pittsburgh, with headquarters for the new companies in Houston; Coral Gables, Florida; London and Tokyo respectively...Gulf moved from tenth to ninth among the 500 largest U.S. industrial corporations, ranked by sales. Shareholders approved a 2-for-1 stock split and dividend increase...New fields were discovered in Colombia (the fourth) and Nigeria. Gulf Oil (Great Britain) discovered gas in a North Sea wildcat 18 miles off the Yorkshire coast...The first two of six 326,000 dwt tankers were put into service; they were named *Universe Ireland* and *Universe Kuwait*...H.M. Queen Elizabeth opened the new refinery and petrochemical complex at Milford Haven, Wales. In Spain, Gulf and partners were granted rights to build a 100,000 b/d refinery. Contracts were let for construction of a chemicals complex adjacent to the Europoort, Holland, refinery, and the capacity of the Denmark refinery was doubled to 70,000 b/d. A new refinery, announced for Louisiana, will increase Gulf's U.S. refining capacity by more than 20 per cent...A majority interest was acquired in China Plastics Corporation, Taiwan...A new subsidiary was formed in Ecuador to refine and market oil there; Bolivian Gulf Oil Company and a partner agreed to sell gas to a firm in Argentina. Marketing operations were expanded in Germany and retail operations of Marathon Oil Company in Italy were acquired...W.K.Whiteford died in auto accident...Gulf Minerals Company obtained permits to explore for uranium and other minerals in a 575,000-acre area in northwestern Saskatchewan, Canada.

In retrospect, it seems inevitable that the Company would one day be known as Gulf Oil Canada Limited. The benefits to be derived from closer affiliation with the world-wide Gulf Oil organization were too great to be overlooked.

The name British American had served the Company well throughout the developmental period of the country's petroleum industry as had its policy of operating specifically for the Canadian market. However, times had changed. For one thing, two world wars had rearranged the geographical face of the globe and created new international alliances. For another, crude oil was now an important item of international commerce and the centre of production had shifted dramatically to the Middle East. Aggressive exploration had uncovered several major oil-bearing areas outside of North America – many of which were accessible to B-A through the Gulf organization.

The tremendous increase in world travel also contributed to the decision to change the Company's name. British American, although a by-word in Canada, was virtually unknown to the increasing numbers of Americans and overseas visitors arriving in Canada. This put the Company at an immediate disadvantage with its two major competitors who were selling their products under the same brand names throughout the world.

There was little doubt that B-A was a member of the multi-national Gulf Oil family. Gulf had begun acquiring B-A shares in the early 1940's when overseas reserves of crude oil were threatened by the events of World War II. By the mid-fifties it had acquired a 25 per cent interest in the Canadian firm. The transaction that brought Canadian Gulf into B-A in 1956 added another 8.3 million shares to Gulf Oil's holdings. The 627,849 shares exchanged for Gulf Oil's holdings in Shawinigan Chemicals in 1968 increased Gulf's holdings to 69 per cent.

And so, on November 15, 1968, shareholders at a special meeting in Toronto endorsed a proposal to amalgamate B-A, Royalite Oil and Shawinigan Chemicals Limited under the name Gulf Oil Canada Limited.

As a first step in realizing this objective, B-A changed its name to Gulf Oil Canada Limited on January 1, 1969. The amalgamation will become effective when letters patent and certain tax rulings are obtained.

Just what this amalgamation and name change will mean for the Company, and its employees, shareholders and customers was spelled out by President Charles Hay.

First, and foremost, it will provide direct identification of the Company as the Canadian member of the world-wide Gulf Oil organization; it will result in greater advertising and marketing impact, with Canadian coverage now reinforced by Gulf programs in other parts of the world and, in particular, in the United States; it will bring more uniform product and service standards throughout North America; it will bring a larger share of the international aviation and marine business through the familiarity of international carriers with the Gulf name; and it will provide for greater efficiency by integrating and consolidating operations and administration of the Company's various affiliates in a single corporate entity under one overall corporate management team.

It will also provide new and unprecedented opportunities for talented Company employees by offering them a greater scope for their abilities within the world-wide Gulf Oil organization.

Restructured and reorganized for greater effectiveness and efficiency, and well-equipped to meet the nation's energy and petrochemical requirements for years to come, Gulf Oil Canada Limited is proud of its role as the Canadian member of Gulf Oil's international family.

SHAWINIGAN CHEMICALS LIMITED

In tracing the history of Shawinigan Chemicals Limited, one discovers that plans to manufacture the chemical calcium carbide actually predated and led to the establishment of The Shawinigan Water and Power Company, which served as parent to the chemical operations for 65 years.

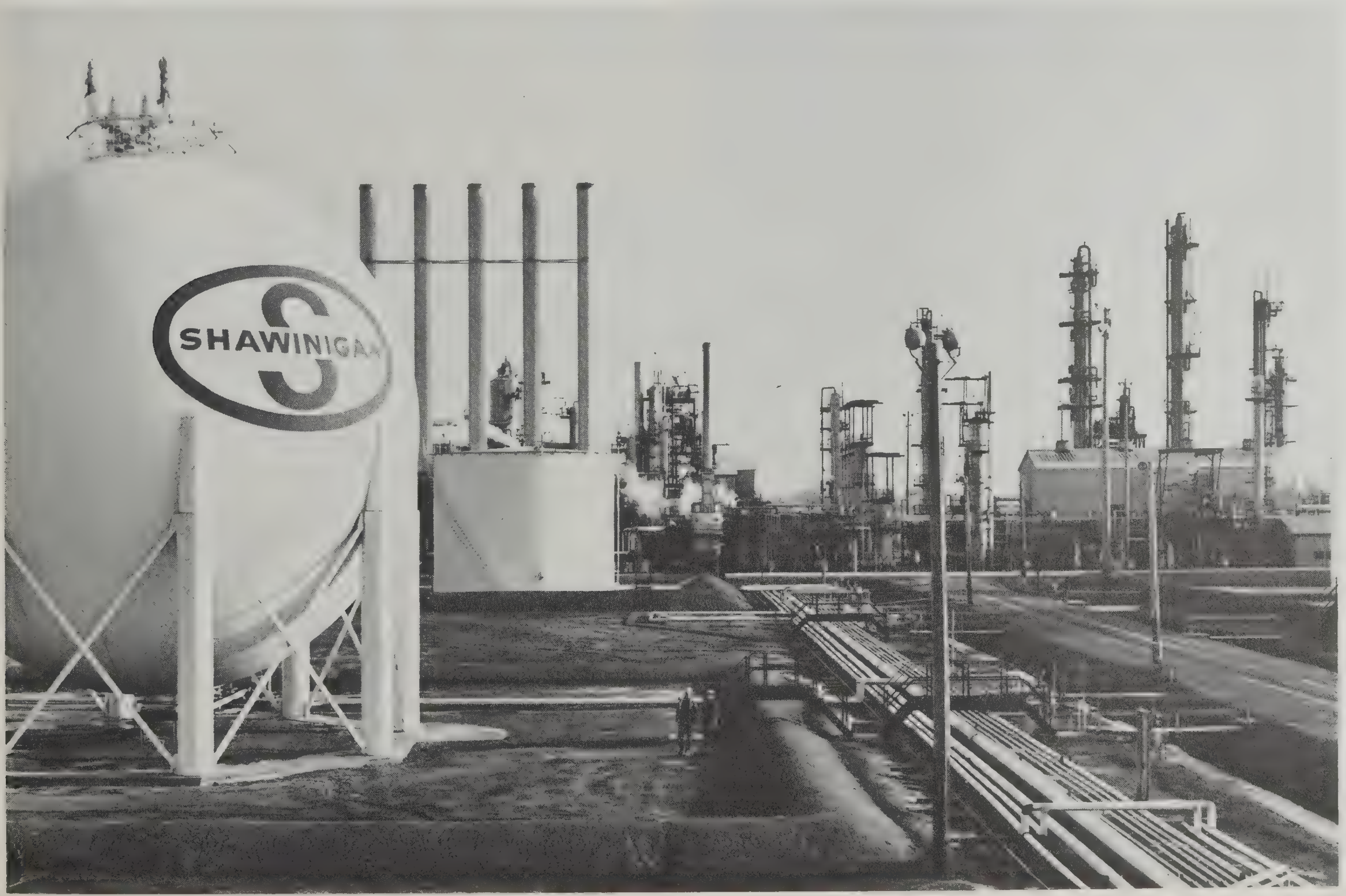
The initial impetus for the establishment of these Quebec industries came in 1896 from a Boston distiller, John Joyce, who held a patent for the manufacture of calcium carbide – an amorphous grey solid – used in acetylene lamps for cars, bicycles and miners working underground.

His process involved the electrothermic fusion of carbon and limestone. Since the main ingredients of coal and limestone were readily available, Joyce's main concern was a source of power for his electric furnaces in which the 2,000° C. interaction between the finely-powdered limestone and crushed coke would take place. In his search, he met Edwin Whitney, an electrical engineer with an interest in promoting new companies. Whitney, in turn, had contacts in Canada and in particular with J. N. Greenshields, a highly-regarded Montreal corporation lawyer. Their discussions led to Whitney being asked to find a suitable power site in Quebec.

Long hours of deliberations in Old Montreal's St. Lawrence Hall followed as the three studied the potential of each of the power sites recommended by Whitney, and met with other financiers and businessmen. They finally decided on Shawinigan Falls where the St. Maurice River, plunging 150 feet over the edge of the Canadian Shield, offered tremendous power potential. Other factors added to the location's acceptability. High grade limestone was available in large quantities at Bedford Quarry, 150 miles to the south; shipping, through the St. Lawrence port of Trois-Rivières, was cheap and reliable; and the Shawinigan River, which entered the St. Maurice below the falls, could supply drinking water for the proposed town.

As the project developed, other businessmen became interested. One of these must have been John Foreman,

Opened in 1963, Varennes ethylene plant was major step in establishing Shawinigan's operations on petrochemical base.



since history records that he had purchased the power rights to Shawinigan Falls in 1897 for $50,000. Another was J. E. Aldred of Boston Puritan Trust.

Aware of the possibilities of water power, Aldred was especially interested in the potential offered by Shawinigan Falls. There would be more than enough to meet the needs of the carbide plant, and the excess could be sold at a handsome profit.

Aldred carried the judgment of the other businessmen and, in 1898, The Shawinigan Water and Power Company was born with electrical power its raison d'être. Some of the power, of course, would be used to make calcium carbide.

In 1904, Thomas L. (Carbide) Willson, an electrical engineer from Woodstock, Ontario, joined the enterprise. Many years earlier, experimenting with a limestone and coke combination in an electric furnace, he too had produced a mysterious solid that reacted with water to produce a gas that he expected would be hydrogen. But the samples sent to the world-famous Glasgow scientist, Lord Kelvin, identified the solid as calcium carbide; and the gas, acetylene.

A subsidiary, The Shawinigan Carbide Company, was formed and, with Willson as vice-president, began production. However, the power company within two years had developed a furnace superior to Willson's. By 1911, the parent company had acquired Willson's carbide interests, reconstituting them as Canada Carbide Limited.

In the meantime, a new use had been found for acetylene. The oxy-acetylene torch, whose hot flame made possible the cutting and welding of steel, opened up a whole new sales area.

It wasn't until World War I that a chemical use was found for acetylene. As hostilities increased, acetone, used to manufacture cordite, a smokeless explosive, and acetate airplane dope, became scarce. The only known commercial source involved a distillation process using hard-woods.

Exploring the possibility of synthesizing acetone from acetylene, Shawinigan Water and Power formed Canadian Electro Products to carry out the study. The successful outcome of this venture is one of the high points in the history of the nation's chemical industry. It also provided the basis for what would ultimately become a major part of Canada's organic chemical industry.

Shawinigan Research Centre, opened at Ste. Anne de Bellevue, Quebec, in 1966, specializes in plastics-oriented research projects.

Canadian Electro closed with the war's end and the decline of the military market, but Shawinigan, retaining its key research men, continued to delve into the fascinating world of organic chemicals. The plant reopened a year later producing acetic acid from acetaldehyde when the British acetate rayon industry became an export customer.

Shawinigan's first major discovery, vinyl acetate, came soon after. Originally a by-product of a new acetic acid process, it proved to be a versatile molecular building block for a synthetic resin. Indeed, it was the doorway to the fantastic new world of thermoplastic resins, the base materials for a vast range of products such as lacquer coatings, adhesives, shatter-proof glass and plastics.

The establishment of the Canadian Celanese plant at Drummondville, Quebec, in 1927, provided a market for Shawinigan's major chemical products, acetic acid and acetone. To meet the demand, Canadian Electro Products and Canada Carbide were merged to form Shawinigan Chemicals Limited.

Production and sales were maintained throughout the thirties and, when World War II broke, Shawinigan again quickly geared for defence production. This time its major contribution was RDX, or Cyclonite, an explosive half again as powerful as TNT. The manufacture of this new compound was carried out under the guidance of a joint Canadian-British-U.S. research team.

Shortly after the war, Shawinigan celebrated its 50th anniversary. In its first 50 years, the electrothermic limestone-coke process, the source of all the company's chemical products, had produced a volume flow of relatively low-cost organic chemicals. Now, however, as the demand began to grow dramatically, indications were pointing to an increase in the basic cost of production at Shawinigan Falls; the result of a rise in cost of raw materials, particularly coal, and the expense of building the larger hydro-electric facilities needed to supply additional power. And, looking over its corporate shoulder, Shawinigan began to notice the inroads that petroleum-based chemicals were making into the calcium carbide area.

B-A was also interested in petrochemistry. Studies had convinced B-A's management that the Company should participate actively in the growing industry. Sensing an inevitable marriage between the two technologies, Shawinigan secured Canadian manufacturing rights to a new process that would convert cumene to phenol and acetone, and B-A converted a surplus processing unit to cumene production. In 1951, the two companies formed the jointly-owned B.A.-Shawinigan Limited and, a year later, opened a plant at

Site for original carbide plant was
carved out of Quebec forest in 1890's.

Canada Electro Products plant played major role in World War I.

Montreal East to produce phenol from cumene.

The venture was an immediate success. Phenol, or carbolic acid, combined with formaldehyde, forms a plastic resin used to mold and cast plastic products, as an adhesive in the plywood industry, and in paints and baked enamel coatings; phenol is used in the manufacture of 2-4-D weed killer and pharmaceuticals; while acetone serves as a solvent for paints and lacquers, and for synthesizing other chemicals. During the next five years the volume of petro-chemicals produced in North America skyrocketed from 16 to 35 billion pounds per year, and both B-A and Shawinigan shared in the rewards of their successful enterprise.

Moving ever closer, B-A and Shawinigan, in 1961, began construction of a $20 million plant at Varennes, east of Montreal on the south shore of the St. Lawrence river, to produce ethylene and acetaldehyde. These raw materials form the base for a further broad spectrum of petrochemical products.

In 1962, the Quebec Government announced its intention to purchase The Shawinigan Water and Power Company – by now one of the province's largest hydro-electric corporations – as part of its program of consolidating all electric power production under government control. At the same time, B-A exercised a right of first refusal and increased its interest in Shawinigan Chemicals to 66⅔ per cent. The remaining third was transferred to a government holding company, Shawinigan Industries Limited, which was formed to take over the parent company's non-power assets. In 1963, Power Corporation, a Canadian investment company, purchased the government's majority interest in Shawinigan Industries including the one-third interest in the chemical concern which it later sold to the Gulf Oil Corporation. This Gulf interest was acquired by B-A in 1968 in exchange for 627,849 shares.

The Varennes plant enabled Shawinigan to switch another major portion of its chemical operations to a petroleum base, an important step in developing a major petrochemical industry in the St. Lawrence valley.

In 1966, Shawinigan's Research Centre was opened at Ste. Anne de Bellevue, 16 miles west of Montreal. Among the most technically advanced and best equipped of its kind, it is staffed by 80 highly-trained scientists and technicians who probe all aspects of Shawinigan's expanding chemical horizons.

In December, 1968, Shawinigan shareholders approved plans to amalgamate Shawinigan, B-A and Royalite under the name Gulf Oil Canada Limited. The name Shawinigan, however, will be retained for its trade advantages, and will identify the Shawinigan Chemicals Division of Gulf Oil Canada.

THE ROYALITE OIL COMPANY, LIMITED

The Royalite Oil Company Limited was incorporated in January, 1921, with the support of Imperial Oil Limited, to acquire the assets of Calgary Petroleum Products Limited which had been formed in 1912.

Calgary Petroleum Products had been organized by a group of local businessmen to seek oil and gas near some well-known gas leakages. Legend has it that people used to have picnics and cook food over these seepages.

Although Calgary Petroleum did discover oil and gas, it was not a very profitable company. Then a disastrous fire wiped out its absorption plant and Royalite took over.

However, the company had drilled Dingman No. 1 well on the north bank of the Sheep River. This well was spudded January 25, 1913, and after laborious cabletool drilling, was completed in 1916 to a depth of 3,924 feet. Little is known of early production but in 1922 the well was producing 1,500 million cubic feet of gas a day as well as some light oil. Until 1921, when Royalite took over, the gas was flared from this well and only the oil was used.

After Royalite took over Dingman's No. 1 and 2 wells they were renamed Royalite 1 and 2.

In its time, Royalite purchased the assets of a great many small companies. Indeed, the story of the petroleum industry in Western Canada has been that of a proliferation of small companies and their gradual elimination.

As part of this process, Imperial formed the Dalhousie Oil Company Limited in 1925 to acquire the properties and assets of four companies: Southern Alberta Oils Limited, Southern Alberta Oil Company Limited, Alberta Southern Oil Company Limited, and Southern Alberta Refiners Limited. Imperial Oil supplied money for drilling and later assigned all its interest in Dalhousie to Royalite, which kept this interest through 1949, when it sold off its 51 per cent.

During its association with Imperial Oil, Royalite was strictly an exploration and production company. Its first drilling commenced April 21, 1921, on Royalite No. 3 well in Turner Valley. But No. 4 well proved the important one. Spudded on September 7, 1922, it struck gas on October 6, 1924, at 3,740 feet. By October 15, gas was roaring from the ground at 21 million cubic feet a day. For days the well was completely out of control.

Natural gas was an important part of Royalite's business. Production rose dramatically, from 18 million cubic feet per day in 1922 to eight billion cubic feet for the year 1937. Up until 1949, Royalite confined its activities mainly to exploration and production in Turner Valley, in which it pioneered much of the activity.

It also acquired additional companies, among them Sterling Pacific Oil Company Limited; Mayland Oil Company Limited; and Southern Lowery Oils Limited.

In 1939, the company's pipe line division was segregated to be operated by a wholly-owned subsidiary, Valley Pipe Line Company Limited.

Modernized Royalite sign appears on some 1,700 service stations and bulk outlets in Western Canada.

The gas gathering system and scrubbing plant reached a capacity of 100 million cubic feet a day.

In January, 1949, Imperial Oil sold its interest in Royalite to Dominion Securities Corporation. However, while the company still continued to grow rapidly, its character was changed considerable. To its exploration operations it added marketing and refining facilities to eventually become a fully-integrated petroleum company.

In 1952, the company bought a 5,000 barrel-a-day refinery at Coleville, and a 1,000 barrel-a-day refinery at Prince Albert, both in Saskatchewan, and began a 5,000 barrel-a-day refinery at Kamloops, B.C.

The following year, the first Royalite service stations began opening.

In 1954, the company took over Hi-Way Refineries Limited of Regina and Saskatoon in a merger that provided Royalite with considerable marketing strength.

Refineries like Hi-Way had been founded throughout Western Canada for the farm trade, which did not justify year-round operation. They were short of capital, equipment and know-how.

But Hi-Way had proved different from most – a potentiality foreseen by Charles Hay. Born in Kingston, Ontario, Charles Hay had come to Saskatchewan with his parents in 1911, and had earned an engineering degree at the University of Saskatchewan. At first in the construction business, he entered the oil business in 1931, when, with three partners, he

started the Hi-Way Company in Regina. In 1932, the partners opened up a plant in Saskatoon.

In those days Hi-Way hadn't much. The Saskatoon operation consisted of Charles Hay as office manager and service station attendant, a warehouseman named E. Lozier, and "Speed" Kragero, driver of the firm's only truck.

Hi-Way's Regina Refinery was only capable of producing some 200 barrels of products a day, and the Saskatoon Refinery, 300 barrels a day. The following year, yet another 300 barrel-a-day capacity refinery was added, at Rosetown. Since the farm trade did not justify year-round operation, refinery hands were usually hired in the spring and laid off in the fall at most of these small prairie refineries.

But Hi-Way soon broke away from this pattern, hiring engineers and other skilled employees on a year-round basis.

In 1934, S. J. Sackett, of Chicago, came to Canada, bought up eight small refineries, including Hi-Way, and combined them into one operation under the Hi-Way name.

When, in 1937, Turner Valley crude was introduced to the prairie market, it required modification of existing plants and equipment. Hi-Way had to shut down for nearly a year to make the changes. Scarcely was this accomplished than war came with controls and quotas. This required more changes in Hi-Way's production system. But the company continued expanding. In 1946 it began producing asphalt and bunker fuels from Lloydminster crude.

In 1948, the company launched a major expansion to take advantage of new crude sources in Alberta.

Then, in 1954, Hi-Way, which had strong refinery and marketing facilities, merged with Royalite, which had always been primarily an exploration and production company. The two companies complemented each other perfectly.

Charles Hay, so successful as president of Hi-Way since 1946, became president of Royalite in 1958, as he was later to become President of B-A.

Royalite aggressively expanded its marketing representation in the subsequent years, constructing service station outlets, acquiring large numbers of independent dealers and purchasing several small marketing companies. By the end of 1962, Royalite was marketing in British Columbia, Alberta and Saskatchewan, and had limited representation in Manitoba. That year 145 million gallons of refined product were sold through 723 retail and bulk outlets.

B-A became interested in Royalite in 1962, acquiring

Anglo-Canadian operations were phased out in 1965, with Royalite assuming the marketing aspects, and B-A its refinery.

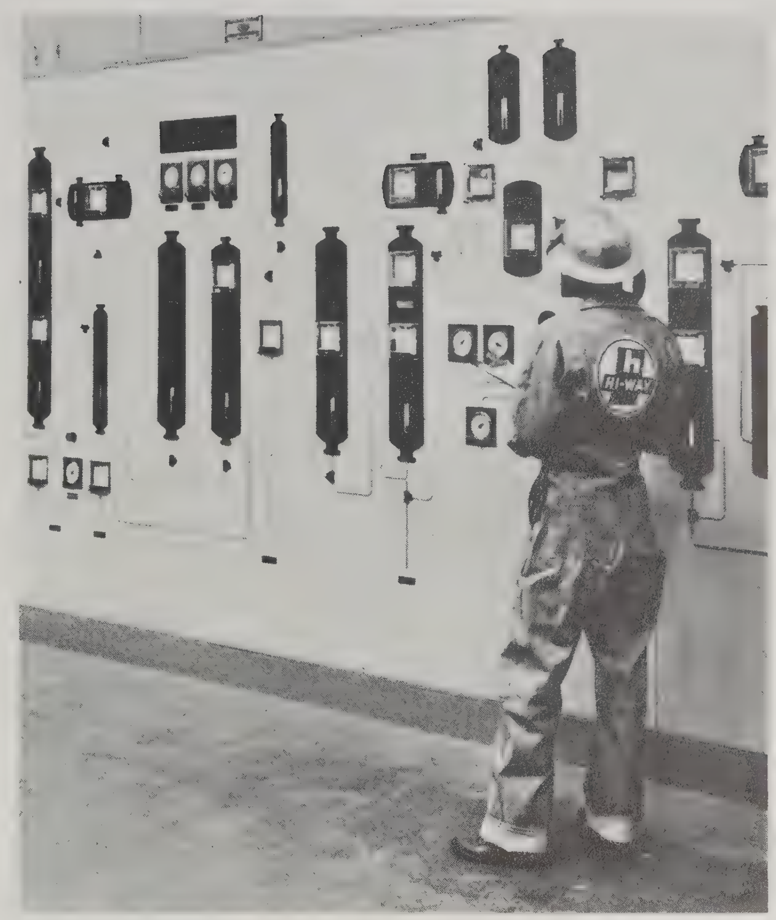
Royalite shares which rose more than 90 per cent over the next months and years.

In the first half of 1964, the marketing operations of B-A's four affiliate companies in Western Canada – Anglo-American, Great West, Sanford and Western – were consolidated into a new company called Purity 99 Oil Company Limited. The marketing functions were performed by Purity, with service functions handled by Royalite.

Another change came on January 1, 1965. Purity assets were sold to Royalite, which also entered into a management agreement with Anglo-Canadian, resulting in Royalite operating a combined Lakehead-to-British Columbia marketing organization. At the same time. Anglo's Brandon Refinery and Royalite's exploration, production, pipe line and refinery operations were turned over to B-A.

In November, 1968, Royalite shareholders approved plans to amalgamate with B-A and Shawinigan Chemicals Limited under the name Gulf Oil Canada Limited.

But the Royalite name will not disappear entirely. It will still be used to identify some 1,700 Gulf Canada-operated service stations and bulk outlets in Western Canada where it is well respected and has valuable marketing advantages.



Hi-Way Refinery at Saskatoon added fluid cat-cracker process in 1954.

Purity 99 assets were sold to Royalite Oil in 1965.

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May, 1969

Mastering the Market . . . A layman's guide to the wonderful world of wealth

Gulf
COMMENTATOR
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The Cover:
To the novice, and to some veterans as well, the stock market adds up to one thing – confusion. Nevertheless, there's no better place for your money than in a good, sound investment. We don't promise to tell you all there is to know about investing in this issue, but rather hope it will serve as an introduction to the world of stocks and bonds.

Back Cover:
Thanks to H.O. staffers Nancy Cain, Employee Relations; Marilyn Bannon, and Judy Bryant, Marketing; Dave Tipe, Services; and Dennis Robinson, Public Relations; not only for helping to promote this year's Employees' Guide to the Annual Report, but also, considering the theme of the issue, for suppressing the urge to shout "Stock it to me!" during the picture-taking session.

STOCKS AND
WHAT THEY ARE AND WHA
THEY ARE NOT

Just prior to the conclusion of one of last fall's employee meetings on the Company's amalgamation and conversion plans, an employee asked the question, "Just when will our shares catch up with Imperial Oil's?"

At the time, B-A shares were selling at $47 each; Imperial Oil shares stood at $79. But the Company had just announced a two-for-one split that, unless either price changed dramatically in the interval, meant Gulf Canada shares would be selling in the $23.50 range. Three weeks later, Imperial announced a four-for-one split that would put its shares in the $20 range.

This was the news the employee wanted to hear. Or was it?

Some people think that stock market shares are like scores in a Grey Cup football game – the higher, the better. It's not true. It does not matter how much a share costs provided it has growth potential and/ or pays a dividend.

For instance, suppose you have $1,000 to invest. You can buy five shares at $200 each or 100 shares at $10 each. Now if each company declares a two per cent dividend, you will earn exactly the same on each investment. On the five shares at $200 you will earn $4 per share, or $20. On the 100 shares at $10 you will earn 20 cents a share – $20.

What matters is whether shares rise or fall after you buy them, and how much dividend they pay.

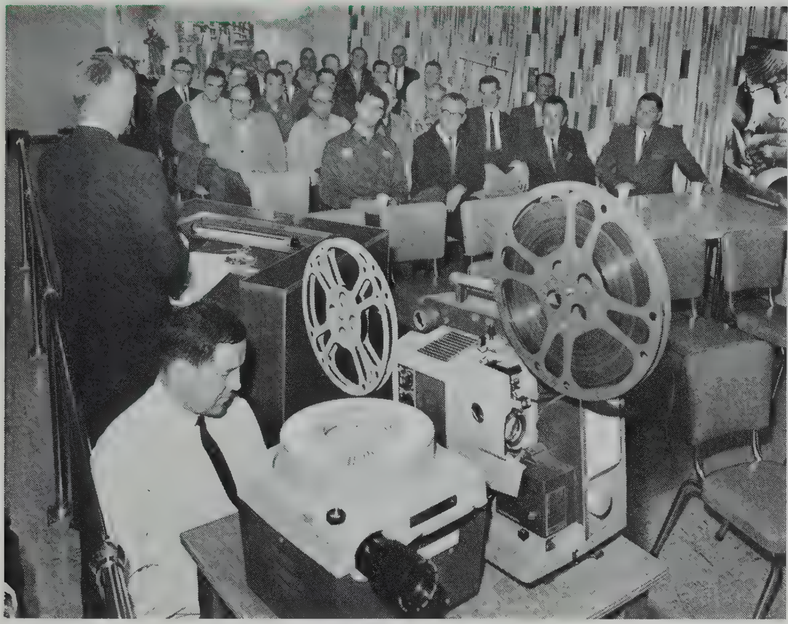
However, there is a psychological advantage in having a lower priced stock. Small investors, of whom there are many, prefer to buy a large number of low-priced shares rather than a small number of high-priced shares.

If you are thinking of investing, there are many factors to consider. The rising and falling of common stocks will follow not only economic conditions and market trends, but also the operations within the company. Since the share is, literally, a share of the company, its value naturally is affected by the company's earnings potential and the value of its assets.

When a company comes into existence, it raises the necessary money by issuing common shares in the company. This is what B-A did back in 1906.

Sometimes, in a rapidly expanding field, a company will need

BONDS



"When," asked one employee, "will the price of Gulf Canada's shares catch up?"

additional money for growth. There are three principal ways it can raise this capital.

First, it can issue more shares. The last time B-A offered shares publicly was in 1958. They were put on the market at $40 a share. However, there is a limit to the number of our common shares that should be issued. Common shares are voting shares and this issue could dilute the percentage of ownership held by existing shareholders. Shareholders eventually become disillusioned with any company that issues too many common shares.

The second way in which a company can raise money is by borrowing through the issue of debentures – sometimes called bonds. Debentures do not represent any ownership interest in the company. Nor do debenture holders vote or receive dividends. But they do receive a guaranteed annual rate of interest. And at the termination of a specified period of time, they receive the full face value of the debenture. Gulf Canada's 3½ per cent debentures due in 1974 were issued some years ago. This means that the holder will receive 3½ per cent or $3.50 a year per $100 of face value and he will be paid back the face value in 1974.

Incidentally, in computing the return on debentures like these you cannot consider the interest rate as the whole earning. A debenture may be selling lower than its face value. The Gulf Canada debentures we have just mentioned were selling for about 82 per cent of face value at the time of writing.

As a word of warning, it is also possible to earn less on a bond than its stated interest rate. This may occur if you sell it before maturity below what you bought it for.

Another factor to consider in buying both shares and debentures: currently, Canada has no capital gains tax, so the amount by which a share or debenture increases in value is non-taxable and vice versa. On the other hand, dividends and interest are in effect, earnings, and are taxable.

Taking into account all these factors, the Gulf Canada 3½ per cent 1974 debentures actually yield close to 7½ per cent in earnings a year at current market value.

This may look good, but the debenture market is not strong at present. Many investors feel that fixed interest income tends to be largely wiped out by inflation.

The third way in which a company commonly raises money is, of course, by earning it. Gulf Canada has been doing this and has been plowing back part of these profits into its own operations.

It must use other methods of raising money as well because the oil industry is one of the most rapidly expanding industries in the world. Oil consumption has increased enormously and is still rising. Every country is using more oil and so there is practically no limit to the possibilities for the industry.

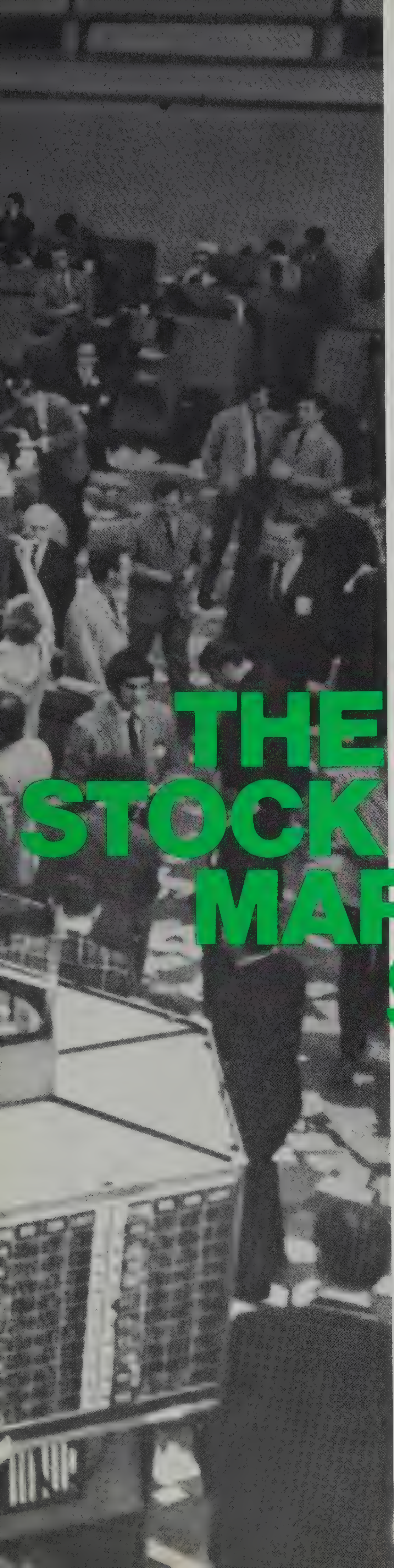
In these circumstances, it is the responsibility of a company to grow as rapidly as it can. If it fails to do so, another company will fill the vacuum and will surge ahead. This, of course, is also a reason for amalgamation and consolidation. The changes give the company a better opportunity for growth in the future.

As you might expect, financial affairs relating to a company are interdependent. For example, if a company plows back just the right amount of its earnings, it will remain in a strong position. If it plows back too much, it will have nothing left with which to pay dividends. Failure to pay dividends will usually depress the value of its shares on the stock market.

Considering this factor, it is clear you cannot assume that the company paying the highest dividend is the company to buy into. It may be plowing few of its profits back and have little potential for growth in the future. Conversely, a company paying only a limited dividend may represent an excellent investment. It may be growing and its stock may rise steadily, providing a tax-free profit in the future.

Taking all factors into consideration, over the years Gulf Canada common shares have been a very good investment. A large firm of investment counsellors recently completed a study of relative returns of oil company shares. They reported Gulf Canada and Imperial Oil jointly at the top of the list with a financial return per share that was exactly the same.

That's really good news for our employee friend.



THE STOCK MARKET STORY

You don't have to be a Rockefeller or a Rothschild to buy and sell on the stock market. All you need is a phone and a little money.

If you have managed to save a few dollars from the ravages of rising costs, and you feel like speculating, buy some stock. Perhaps you want to extend your portfolio beyond the Gulf Canada stock you are buying through the employee Savings Plan.

Suppose you are an employee located in Calgary. After studying the situation, perhaps asking expert advice, you decide you want to buy some shares of XYZ company listed on the Toronto Stock Exchange. You call your favorite stock brokerage firm, and talk to a registered representative, asking him for a quote on XYZ stock.

He would use whatever means of access his firm has to get quotes instantaneously from the Toronto Stock Exchange – most likely ticker tape or electronic equipment.

He comes back to you with the information that XYZ stock is 10 to 10¼. This means that at present, investors are willing to buy XYZ stock at $10 a share. People holding this stock do not want to sell at less than $10.25.

You instruct the registered representative to buy you 50 shares – at the $10 price of course. He makes out a buy slip which goes to the brokerage firm's wire or communications room. Here a desk trader uses a phone or teletypewriter to contact his firm's Toronto branch, because XYZ stock is listed on the Toronto Stock Exchange. Another desk trader in the wire room of the Toronto branch relays the information, via direct telephone or teletypewriter connection, to the clerk at his firm's booth at the TSE.

Using dramatic and somewhat obscure hand signs, the clerk signals his floor trader and gives him instructions to buy 50 XYZ shares at $10. The floor trader, whose official name is attorney, goes to one of the 11 posts on the floor where these shares are listed and shouts out that he wants to buy 50 XYZ at 10.

In the meantime another Gulf Canada employee in Toronto, who owns XYZ stock is feeling bearish. He needs ready cash and has made up his mind to sell 50 of his shares. He also calls a registered representative at the Toronto brokerage firm through which he deals. After the registered rep gets him the quote, the employee instructs him to sell 50 XYZ shares at $10.25. This registered rep makes out a sell slip and the information is relayed through his firm's communications room to its booth at the Toronto Stock Exchange and to one of their floor traders, who goes to the same post and shouts out that he has 50 shares to sell at 10¼.

Since this is the only post where XYZ shares can be traded, the two traders meet. Each trader uses his brokerage knowledge and skill, and his plain horse-trading abilities, to get the best price possible for his client. When they have reached an agreement, the selling trader makes out a floor ticket in triplicate; each initials it and keeps a copy as an official receipt of the transaction. The third copy goes to the post clerk who time-stamps it and sends it to the exchange's teleregistering section where the details from the floor ticket are punched into paper tape and relayed to the TSE computer. The computer flashes the information to brokerage offices all of which have electronic boards, or ticker tape, displaying the latest trading information. In this case it would show that the latest agreed selling price for XYZ stock is, say 10⅛.

While this is going on each floor trader starts a reverse flow of information back to the buyer or seller, so that each gets confirmation that the transaction has been completed. Within a few days the seller will get his cheque and the buyer, his stock certificates.

This simplified description is essentially what happens when anyone buys or sells stock. The buyer and seller never meet. They don't have to; modern, fast communications and stock exchanges make this unnecessary.

The Toronto Stock Exchange handled 2,041,542 transactions in 1967. This involved 819,147,120 shares at market value of $3,521,312,476, almost 70 per cent of the dollar value of trading on all Canadian exchanges. The 1968 record was even more spectacular, reaching a record 911,691,783 shares with a total market value of just over $5 billion.

Twelve Toronto citizens organized the Toronto Stock Exchange in 1852. At first trading was only for half-an-hour every morning in an office on Bay Street. The Exchange was

incorporated in 1878 by an act of the Ontario legislature, making it the first stock exchange in Canada. There are five other stock exchanges now: the Montreal and Canadian Stock Exchanges both in Montreal; and the Winnipeg, Vancouver and Calgary Exchanges.

The Toronto Exchange is Canada's largest securities exchange, with about 55 per cent of the total number of listed shares. It has 113 seats distributed among about 95 brokerage firms. Actually a qualified individual within a brokerage firm holds the seat in the exchange. It is the person, not the firm, who is a member of the stock exchange.

A member is not allowed to hold more than three seats but more than one person from the same brokerage firm can hold seats. A TSE member is entitled to send five representatives for each seat he holds to trade on the floor of the exchange.

TSE is governed by a ten-man board of governors, one of whom

Top: In nearby brokerage office, registered representative keeps track of trends in various market categories on chalk board.

Above: Clerk on floor of Toronto Stock Exchange records latest price changes and volume on trading post board.

THE STOCK MARKET STORY

is elected chairman. They are elected to the board from TSE members and they do not get paid for doing this job. There also is a full time president chosen from outside the industry. He is J. R. Kimber, QC, at the moment. He and his executive staff are responsible for the administration of the Exchange and for carrying out the policies established by the board.

A stock exchange is essentially a market place for the buying and selling of securities. It's a means through which companies can finance their expanding enterprises by issuing shares to the public. In other words, they take in more partners.

An exchange also allows a private person to put his money to work wherever and whenever he chooses.

If there were no such market place where people could invest voluntarily in their country's future, or sell their securities for cash, it would be extremely difficult to finance industrial growth or development of natural resources.

Above: Brokerage clerk checks latest sales on office stock ticker.

Above: In broker's office, prospective investors keep a practiced eye on the electronic tote board that records trading action on Exchange floor.

Below: Back at Stock Exchange, floor trader makes bid for stock on orders from his office.

The fear that comes with the confrontation of new words with new meanings has scared more than one potential investor from the stock market.

LEARNING TH

In-vĕst'mēnt – Money employed for the purpose of earning for its owner some real benefit such as income, profit or service or a combination thereof. The term 'investment capital' describes the funds which are available for such uses.

Risk' Cap'-i-tâl – Risk capital refers to the funds available for more speculative ventures where losses or gains are likely to be larger.

In'têr-ĕst – The income return to a lender on a loan. It is the fee which is asked for the use of borrowed money until it has been returned to its owner. Interest is comparable to rent which one pays for land, house, apartment or office.

Stŏck Brō'kêr – The stock broker is concerned with securities, mostly stocks, which have been previously distributed and which investors may want to buy or sell. The broker acts as a middleman or agent to bring together the buyer and seller of existing shares and receives a commission for his services.

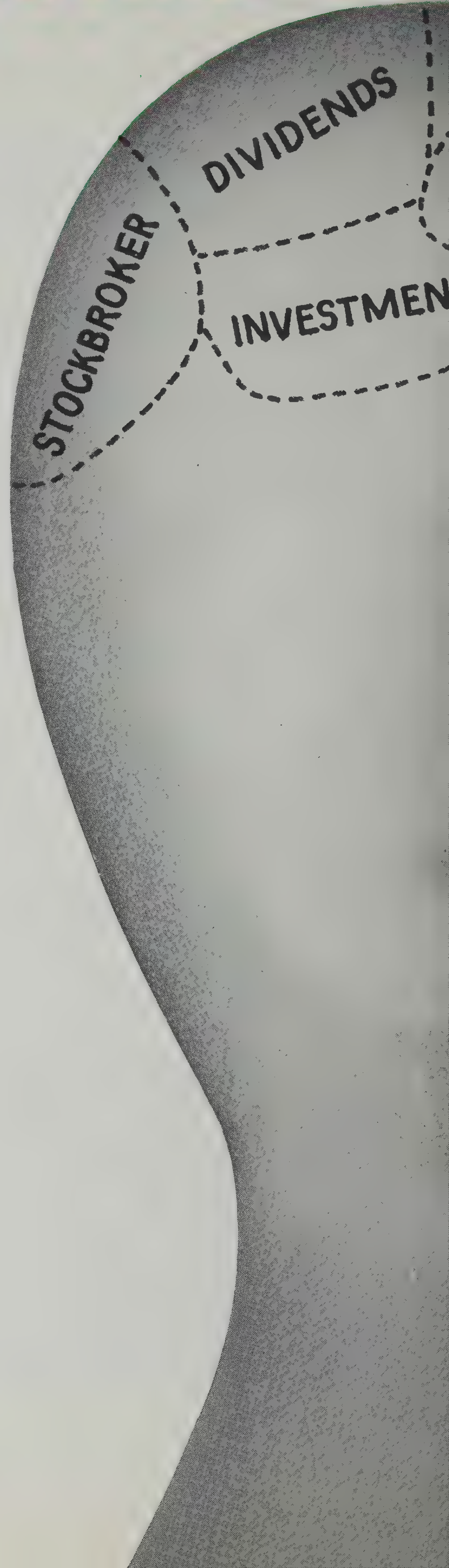
Stŏck Ĕx-chănge' – A market place for trading shares, whose membership is composed of brokers.

Sē-cŭ'ri-ty̆ – A legal certificate which evidences that the buyer has loaned money to the issuer (in the case of a bond) or has purchased part ownership of the issuing body (in the case of a stock).

Bŏnd – An evidence of indebtedness, sometimes called a debenture, issued by governments, municipalities or corporations when borrowing capital funds and upon which the issuer contracts to pay the holder a stipulated rate of interest on specific dates over a stated period of time. At the end of this time, the issuer agrees to repay the principal amount against surrender of the bond.
The holder of a bond is a creditor of the issuer and enjoys no rights of ownership or management as long as the terms of the contract are fulfilled. Failure of the issuer to live up to the agreement causes default and in the case of industrial or commercial companies invariably entitles the bondholder to legal recourse to bring about a satisfaction of his stated rights.

Shâres – Shares are securities issued by corporations. They represent participation in the ownership of the company and give the Shareholder a voice in its management and a proportionate claim on its profits.

Dĭv'ĭ-dĕnds – Money which is declared out of earnings by the directors of the company and distributed proportionately among the shareholders. Since profits will rise when business is good and fall when business slumps, the frequency and size of dividends may fluctuate whereas interest payments on bonds do not.



E LANGUAGE

On the other hand, learning a few basic definitions will make the whole operation much more comprehensible.

Yiēld – The return expressed as a percentage per annum on invested capital. To calculate yield in the case of stock, multiply the annual dividend rate by 100 and divide by the market price for the shares.

Yield on bonds depends on the interest rate expressed in the bond, the price for the bond, and the term to maturity or the due date. Tables are required to determine this yield.

In-vĕst′mĕnt Sē-cŭ′ri-tў̆ – A bond or stock which is purchased with the main purpose of protecting the principal amount and obtaining a regular interest or dividend return upon the money so invested.

The term suggests qualities of safety of capital invested and regularity of income return. It describes a security which is considered suitable for a prudent investor as opposed to one which is suitable for a speculator.

Rights – There is some confusion concerning the terminology of 'rights' and 'warrants.' Until such time as a clear-cut policy is developed governing their usage, it is suggested that an investment dealer be consulted before any actual dealing in rights or warrants is undertaken.

A right is the term applied to the privilege granted to a shareholder to acquire additional shares directly from the company concerned. To increase its capital a company may offer each shareholder the right to buy shares in direct proportion to the number of shares already owned. The offering price for the new shares is usually lower than the quoted market price of the old shares thereby creating a value for the rights.

Wăr′rānt – The word 'warrant' has two distinct meanings as used in connection with investments.

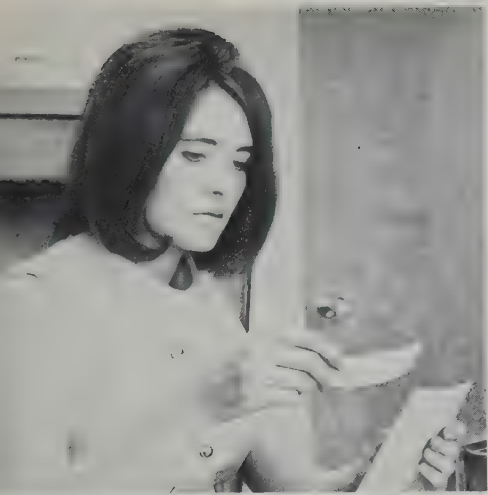
1. A warrant is the term applied to the certificate which evidences ownership of rights. For example, a company making a rights offering usually issues a warrant or certificate representing the total number of rights to which the shareholder is entitled.

2. A warrant is also the term applied to a certificate which evidences an option to buy the capital stock of the issuing company. They are sometimes attached to bonds and preferred shares to assist in the initial sale, and are usually detachable either immediately or after a certain period of time and then traded separately. Warrants are similar to rights in that they expire after a stated period of time, although the term is longer and may extend over a period of years.

Pār Văl′ūe – The stated face value of a share expressed in terms of dollars per share. A share may have a par value ranging from 1¢ per share to $1,000 per share. The most common par value for mining shares is $1 per share while par values of $5, $10, $25, $50 and $100 per share are most frequently found among the industrial stocks. Conversely, no par value shares are shares which do not carry any such stated face value. Par value has little significance when applied to common shares.

Preferred shares are always issued with a stated par value and their dividend rates are expressed as a percentage of their par value or in dollars and cents per share per year.

STOCK TRANS-FER



Left: Elsie Hemelryk, senior clerk; Bill Jackson, supervisor, stock transfer.

Top left: Marjory Thomson, junior clerk.

Above: Bernie Snow, accounting machine operator.

Top right: Violet Priestly, intermediate clerk.

Hidden away in a secluded corner on the fourth floor of Gulf Canada's Ontario Division building in Toronto is the Company's stock transfer section. Heading up the section is W. A. (Bill) Jackson.

Despite its remoteness from Head Office, the stock transfer section is a function of the Treasury and General Services Department. Bill's closest Company contacts with regard to shareholder relations are with Todd Olsen, manager of banking and investments, and Garth Macdonald, the Company's corporate secretary.

Small, but functional, the stock transfer section is staffed by five employees including supervisor Bill Jackson.

"They're a close group," says Bill, who has supervised Gulf Canada's stock transfer operation for the past 17 years, "and they work well together.

"One of the girls has been with us for almost 13 years. Another has worked in the section for ten years and another for five. Don't ask me to tell you which is which however. I haven't worked with them all this time without learning a few things myself."

The prime function of the stock transfer section is to transfer the shares of Gulf Oil Canada Limited on the books of the Company as they are bought and sold on the market. From this information, dividend cheques are produced; proxies for the annual meeting are determined and the statistical information required by Government and Stock Exchanges is accumulated.

When share certificates are presented to the Company's co-transfer agents for transfer to a new shareholder, the certificate is cancelled and a new one is issued

STOCK TRANSFER

indicating the new owner of shares. A transfer report form is prepared by the same transfer agent and copies are forwarded to the stock transfer section. From this information the necessary entries are made in the Company's shareholders' register.

Gulf Canada issues some 27,000 dividend cheques quarterly on the basis of information supplied by the stock transfer section. After being cleared through the Company's bank, they are returned to stock transfer and checked for such things as changes of address. At this point the cheques are added and checked back to the total debited to Gulf Canada's dividend account by the bank. At the end of the month a bank reconciliation is produced.

During 1968, 5,158 shareholders disposed of their interest in the Company; 3,621 new shareholders acquired shares and a total of $24,483,183.24 was paid out in dividends.

In March proxies are mailed to those shareholders eligible to vote at the annual meeting. On their return, the shares they represent are tabulated and assigned as indicated on the completed proxy. For the annual meeting, stock transfer is required to prepare a list of shareholders which is used to check off the attendance and to tabulate the number of shares represented by proxy and in person at the meeting.

During the course of the year, requests are received for the replacement of lost dividend cheques. It is also necessary for stock transfer to be aware of the certificates which have been lost. When such information is received all co-transfer agents are advised. While this may not prevent a missing certificate from being sold, it does enable the Company to advise the shareholder of this and to delay further transfer of the shares until a thorough investigation of the discrepancy can be carried out.

One of the more interesting jobs carried out by the stock transfer section each year is verifying and recording share representation at Company's annual meeting.

NEWS SUPPLEMENT

VOLUME 12, NUMBER 3 MAY, 1969

Election of New Vice-president, Directors Announced

At its annual meeting in Toronto, May 15, Gulf Canada announced the election of Vincent N. Hurd as a vice-president. The election of I. M. MacKeigan, Q.C., and R. G. Rogers to the Company's Board of Directors was also announced.

Appointed president and chief executive officer of Shawinigan Chemicals Limited in 1966, Mr. Hurd will continue to head Shawinigan, which is now the chemicals division of Gulf Canada.

"Vince" Hurd was born in Lock Haven, Pa. He graduated from Pennsylvania State University in 1941 with a chemical engineering degree, joining Gulf Oil Corporation at its research laboratories in Harmarville, Pa., that same year. His responsibilities there involved development engineering work on petroleum and petrochemical products, research on fuels and lubricants, and process engineering and design work.

Mr. Hurd was transferred to the Corporation's chemical staff in Pittsburgh in 1951 and, in 1955, was named director of technical development for petrochemicals.

In 1961, he was named manager of petrochemicals for the Gulf Eastern Company in London, England, responsible for all phases of petrochemical operations. Four years later, he was transferred to Shawinigan Chemicals.

Mr. Hurd is a member of the American Institute of Chemical Engineers, Manufacturing Chemists Association Inc., American Chemical Society, Chemical Institute of Canada, Canadian Manufacturers' Association, National Industrial Conference Board, Montreal Board of Trade and a director of the Canadian Chemical Producers Association.

NEW FACES IN HIGH PLACES
President Hay (l), vice-president Hurd, directors MacKeigan and Rogers

Mr. MacKeigan is a senior partner of MacKeigan, Cox, Downie and Mitchell, Halifax barristers. He is a member of the Economic Council of Canada, former Chairman of the Atlantic Development Board, and a director of Halco Limited and other Canadian companies.

Mr. Rogers, president and chief executive officer of Crown Zellerbach Canada Limited, is a director of the Canadian Imperial Bank of Commerce, Ocean Cement and Supplies Limited, Placer Development Limited, and Royal General Insurance Company of Canada. He is also Chairman of the Council of Forest Industries of British Columbia.

A booklet containing the remarks by President Charles Hay at the annual meeting is included with this issue.

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MARKETING

French Commercials Impress

Two Gulf Canada French-language TV commercials – *Follow the Sun* and *Fifty-Two Countries* – made their mark in an evaluation test in Quebec City. Using the Day After Recall survey method, researchers found both commercials were recalled and described in detail to a well-above-average degree for French automotive commercials.

Main reason for the assessment was to measure the commercial's effectiveness in conveying the Company's conversion story and new world-wide image.

Fifty-Two Countries proved the most successful gasoline commercial tested in Quebec since 1967, topping approximately ten others for three different brands with a 53 per cent related recall rating. A special question section of the research elicited a 70 per cent prompted and unaided awareness of the Company's name change.

Follow the Sun's related recall level was lower at 43 per cent. However, this compares with a norm of 36 per cent for French commercials.

Commentator Reporters

HEAD OFFICE
Ev Clarke
WESTERN CANADA OFFICE
To be appointed
ACCOUNTING/DATA PROCESSING SYSTEMS AND CREDIT
Calgary: Oonagh Levins
Toronto: Lila Bougourd
Montreal: Jim Ryan
PRODUCTION
Calgary: Al Chanin
MARKETING DIVISIONS
Pacific: Patricia Homewood
Prairie: Jannis Hare (Calgary)
Art Myers (Regina)
Al Richards (Winnipeg)
Ontario: Marie DeSouza
Quebec: Armand DesCôtes
Atlantic: Roland Price (Moncton, N.B.)
Judy McNairn (Halifax, N.S.)
Barry Haines (St. John's, Nfld.)
REFINERIES
Port Moody: To be appointed
Kamloops: Jean McElgunn
Calgary: Bill Tanguay
Edmonton: Bob D'Amur
Moose Jaw: Lorraine McLean
Saskatoon: Beverly Mattila
Clarkson: Dave Malham
Montreal East: Frank Bosco
Point Tupper: Al Tupper
RESEARCH CENTRE
Hadrian Evans
SHAWINIGAN CHEMICALS
Place Ville-Marie: Jean Descent
Shawinigan Works: Robert Perks
Varennes: Paul Daemen
Ste-Anne-de-Bellevue: Ron Lajoie
Montreal East: Joseph Bouchard
Ste-Thérèse: Maurice St-Onge
St-Maurice: Henri Doré
Bedford Quarries: Duncan Kemp
London, England: James Clow
Perkins Glue: Nancy Krueger
GRAD ASSOCIATIONS
British Columbia: Doug Lawson
3996 West 32nd Ave., Vancouver
Alberta: Emma Stevenson
1015 1st Avenue NW, Calgary
Ontario: John Dawson
210 Lawrence Ave. East, Toronto
Quebec: Alice Perron
1655 Fleury St. E., Montreal

CALGARY'S COLLINS' AT AIRPORT
Somebody waved goodbye

Head Office: Congratulations to erstwhile "eligible" Dennis Samulak, who married Joyce Burgie in traditional Ukranian style in April and honeymooned along the Atlantic seaboard . . . Department renovations are now complete. As the sawdust settled, new faces noted included Rein van der Velde, manager, planning and development, and Don Nelson, co-ordinator, retail markets, both from Ontario Division; Ford Ralph, co-ordinator, distribution planning, from engineering; and Ken Loughlin, administrator, direct marketing . . . Congratulations to Ford and Mrs. Ralph, a son, Daniel; and to Tommy Thompson, a grandfather for the first time . . . Jim Hargreaves and family vacationed at Myrtle Beach, Florida; and Earl Craig, in the Bahama Out Islands.

PACIFIC DIVISION

Vancouver: We're not crowing, but a fact's a fact. The Company's first golf tournament of the year was played – where else but in British Columbia. The annual Gulf Canada Challenge Trophy tournament at Greenacres Golf Course, Richmond, attracted 58 competitors including Vancouver office staff, salesmen, Morrow employees and others from Bute Street, Burnaby and Port Moody. Taking the trophy were Jack Urquhart, Gerry Clark, Len Nickford and Bill Herrick with a team score of 310. Thanks to organizers Lew Scannel, Ken Danchuk and John Dykstra . . . Personal image conversion was the theme for the Gulf Ball held at the Avalon Hotel, North Vancouver, with costumes mandatory. Gulf's international look offered plenty of scope and dancers included coolies from Hong Kong, Arabian sheiks and harem girls, very English cricket players and our own wild western breed of cowboy. The best costume prize went to Don and Betty Watson for their Ali Baba gear. A smorgasbord preceded the dancing . . . Gladys Lloyd has turned in her *Commentator* reporter's card after several years covering West Coast events and faithfully meeting deadlines. Taking her place will be Patricia Homewood . . . Farewell to Eunice Findlay, who has been our cheerful receptionist for the past eight years. A Beachcomber Restaurant luncheon was held for Eunice, who is leaving to start a family. Welcome to her replacement, Vicki Lynne Bieber.

PRAIRIE DIVISION

Calgary: Merle Florence again won the Rod and Gun Club's Top Gun Award . . . The lure of the slopes took Cynthia Butler and Terry Smith to Schwietzer Basin and Whitefish, and Jannis Hare to Skoki, Lake Louise, for ski weekends . . . Marketing representative Don Collins and his wife Sonya supplemented their savings with "Go Places" incentive program winnings to take a trip of a lifetime. After being wished bon voyage by area manager Rae Hamilton at Calgary Airport, the Collins' gave their regards to Amsterdam, Madrid, Las Palmas and Tenerife in the Canary Islands, and Casablanca, Africa . . . Congratulations to Orest and Mrs. Kucey, a son . . . Sympathy is extended to Ron Badger on the death of a brother . . . Congratulations to recent long-service pin recipients Howard McCarthy, 40 years, and Lucille Wray, 25 years . . . Welcome to Rich Kahl, Bert Brown, Bill Hall, Gill Marshall and

Ralph Schneider . . . A farewell party was held for marketing operations' Frank Raymond, who has retired, and Bill Swager, transferred to Toronto.

Winnipeg: Winner of the Employees' Association curling league was Bruce Watson's rink, with Rich Kahl, third; Jackie Briscoe, second; and Nikki Lindenbach, lead. Bob Stordy, assisted by John Nicholson, Muriel Findlay and Joe Ezinicki, came on strong to take first prize in the season's wind-up bonspiel.

ONTARIO DIVISION

Toronto: Congratulations to Derek and Moira Meikleham, a daughter, Jacqueline Margaret; and to Jack McKay on his recent marriage to Sandra Barrett. Jack was presented with a carving set and candy dish . . . Enjoying spring vacations were Scott and Sharon McNeill, in Phoenix and Las Vegas; Jill Wagman, Miami and the Bahamas; Wayne Brown, Florida; and Janet Watson, Vancouver . . . Best wishes to recently-promoted Werner Hinrichs, unit head, office services, and Ann Melnychuk, secretary, management, Ontario Credit; and welcome to Gail Cochran, from Head Office, replacing Ann in planning and development. Welcome also to Gerry Whynotte, transferred from Toronto Data Centre to the order desk . . . Best wishes to Linda Kenny, who has left the Company . . . Bob Fyffe, manager, retail marketing, was guest of honor at a Ports of Call celebration of his twentieth anniversary with Gulf Canada . . . Before returning to Clarkson Branch, Dave Potts was entertained by friends at a De La Mano supper.

At the division's Employees' Association annual meeting at the Westbury Hotel, Toronto, 42 representatives from all areas of the province met to talk programs and elect a new executive slate. Emerging as president after the vote count was operations' Bill Loughran, a long-time Association booster and active member. Assisting Bill will be Bob Sturgeon, M.A.C. Centre, first vice-president; Brian Halstead, Timmins, second vice-president; Frank Dunnigan, industrial, treasurer; Bill Belitski, credit, chairman, Mount Pleasant Building; and Irene Migliore, internal audit, vice-chairman, Mount Pleasant. Present at the luncheon were Board Chairman Clarence Shepard and Floyd Aaring, vice-president, Employee Relations. *Commentator's* Dave Reynolds was also on hand to answer questions about coverage of Association activities. Representatives were urged to assist the division's *Commentator* reporter Marie DeSouza by providing a steady news flow.

Toronto Area: Peter and Ann Sheppard vacationed in Florida.

Clarkson Branch: A luncheon to honor Dick Vincent on his 25th anniversary was held at the Boulevard Club. Present were: Richard Cleveland, Barry Dales, Bill Eves, George Fanaken, A. J. Giroux, Charlie Hoffman, Jack Hoyle, Ron Huggett, Fred Nogas, Don Paterson, Kirby Smith, Dan Taylor and Don Kohl.

Hamilton: Gord Roy is making satisfactory progress after an operation . . . Hamilton's answer to the Red Baron is Tom Parks, working to qualify for his private pilot's licence . . . Dispatcher Fred Greenland kept cool under fire when the chimney blew off at Hamilton Bulk Plant . . . Welcome back to Larry Trafford, from Clarkson Branch.

London: Congratulations to Bob Malanchuk on his recent marriage . . . Norm Barron vacationed for three weeks in Florida . . . A party to salute retiring branch superintendent George Garlick and welcome his successor, Walt Royal, attracted guests from various parts of Ontario. From Toronto were Don Paterson, Stan Mercer, Wes McDermott, John Noble, Gerry Knapp, Harold Clarke and Bob Beach, all accompanied by their wives. Floyd Payne and his wife were on hand to welcome the Garlicks to Grad ranks.

QUEBEC DIVISION

Ottawa: Congratulations to recently-promoted Bill Pinkerton, now stock auditor.

Quebec: The Quebec District Office's annual sugar party at St-Laurent, Ile d'Orleans, attracted 40 employees, relatives and friends. A ham, eggs and beans supper followed by an evening of songs, dances and games added to the day's success.

Québec: La partie de sucre du bureau de district de Québec, à St-Laurent, Ile d'Orléans, a réuni 40 employés, leurs parents et amis. Il y eut un souper, au jambon, aux oeufs et aux fèves, suivi d'une soirée de chansons, de danses et de jeux, pour terminer une journée pleine d'entrain.

Rimouski: Sympathy is extended to Branch manager Garnier Pineau on the death of his father-in-law . . . Congratulations to Raymond and Mrs. Boudreau, a daughter.

Rimouski: Nos condoléances à Garnier Pineau, directeur de succursale, à l'occasion du décès de son beau-père . . . Félicitations à Raymond Boudreau et à son épouse, à l'occasion de la naissance de leur fille.

ATLANTIC DIVISION

Halifax: Service pins were presented to Bob Craft, Moncton, 15 years, and Gerry Ryan, Fredericton, ten years, by Tom Stuart, manager, consumer marketing. Mel Wylie received his 35-year service pin from division manager Jack Carey . . . Congratulations to Doug and Rosemary Beck, a son, Patrick John . . . Jim Jamieson is well again after a two-week stay in hospital.

St. Johns: Congratulations to newlywed Bob Piercey.

35-YEAR SERVICE AWARD
Atlantic Division's Mel Wylie, manager Jack Carey

CORPORATE

Professional Performance

Being a professional means, of course, getting paid for your efforts. But a professional job performance is the outcome of more than just an exchange of efforts and abilities for a pay cheque. It usually involves, on the part of the performer, a personal sense of pride in doing the job well; and the Company's recently completed conversion and amalgamation project was no exception.

In a letter to all employees signed by Board Chairman Clarence Shepard, President Charles Hay, Executive Vice-president Jerry McAfee and Senior Vice-president Lorrie Blaser, the complex changeover operation was called "a superb professional performance" and its success put down to both job proficiency and team spirit. The letter read in part:

"All fulfilled their respective roles and thus ensured successful achievement at each stage of the project. Each of you is entitled to take pride in your contribution.

"Without question, one key to the total success was that the conversion and amalgamation philosophy was promptly and widely accepted with enthusiasm by employees and dealers, so that the task forces directly assigned to the operation had, in effect, a supporting army from our entire organization."

Offering congratulations of Company officers and directors, the senior executives said "there will be few events in the life of our Company which will justify as much commendation for a job well planned and well done as this one."

First Quarter Earnings

In a message to shareholders, President Charles Hay reported Gulf Canada's net earnings for the first quarter at $11.4 million, compared with $11.2 million for the corresponding period in 1968, restated on a comparable basis. Based on 45,340,836 common shares outstanding, after giving effect to the amalgamation of Gulf Canada, Royalite and Shawinigan Chemicals on April 1, 1969, the earnings were equivalent to 25 cents per share, the same as the restated per share earnings last year.

Other items reported by Mr. Hay:

Crude oil and natural gas liquids production rose 9.9 per cent during the quarter, with natural gas sales up 7.1 per cent. Sales of refined products increased 3.1 per cent.

Eight wildcat and 29 development wells were drilled, resulting in 26 successful completions. Gulf Canada and partners are currently following up a significant gas discovery in the Strachan region, west of Red Deer, Alberta, with an offset development well in which the Company has a 50 per cent interest. Gulf Canada is also drilling a wildcat well some nine miles northwest on a 100 per cent lease block, and, along with partners, now has two drilling reservations of nearly 13,000 acres each to supplement the Company's excellent land picture in this highly prospective region. In February, the Company contracted its share of reserves from approximately 100 square miles of leases in the Strachan area to Trans-Canada pipe line, with delivery to commence November 1, 1970. Plans have also been announced to build a major gas processing plant in the area.

Gulf Canada has acquired a ten per cent interest in a joint project with Gulf Minerals in Canada in the Wollaston Lake area of Saskatchewan, where a third drill hole has encountered high quality ore-grade uranium mineralization.

Construction work on refineries at Point Tupper and Edmonton and on a 50 per cent expansion of the Port Moody refinery is proceeding on schedule.

GULF OIL CORPORATION

Earnings Increase

The Corporation's first quarter earnings rose six per cent over those of the first three months of last year, with consolidated net income for the period at $163,371,000, compared to $154,187,000 recorded in the same period of 1968. The figure is equal to 79 cents per share, or five cents more than the 74 cents per share for the first three months of last year.

Board Chairman E. D. Brockett said that although the possibility of new federal tax legislation makes it unusually difficult to project earnings, Gulf expects another year of record earnings with the percentage of increase being slightly lower than last year.

During the quarter, Gulf's net production of crude oil, condensate and natural gas liquids averaged 2,741,092 barrels per day, an increase of 14.5 per cent over last year's first quarter.

Mr. Brockett reported that in anticipation of growing demands for petroleum products, Gulf spent nearly $7 billion for capital and exploratory purposes during the 1959-68 period. This level of spending, he said, will continue because of a projected high energy demand in the years ahead. Gulf's capital and exploratory expenditures amounted to nearly $1.2 billion last year, and the Corporation expects to spend about the same amount in 1969. A portion of Gulf's spending will go toward diversifying Gulf as a supplier of energy.

In reviewing operating highlights for the quarter, President B. R. Dorsey reported Gulf's production of natural gas in West Texas is approaching 700 million cubic feet per day. Recent discoveries of significant new oil reserves on the north slope of Alaska have enhanced Gulf Oil Canada's acreage in the Canadian Arctic, he said.

ACCOUNTING/DATA PROCESS.

Head Office: June Cameron, who has left the Company, was lunched at Les Cavaliers and presented with a dish set . . . Welcome to Charlie Ross, transferred from the Toronto Data Centre . . . Bill Buttimer spent the Easter weekend in Dublin, Ireland, visiting his fiancée and finalizing wedding plans . . . Art Ball received his 20-year service pin at a Les Cavaliers luncheon . . . Well-travelled Hilda Edwards holidayed for three weeks in Spain and Portugal . . . Bill Howard recently joined the ranks of gentleman farmers.

Calgary Data Centre: Congratulations to Mike and Ilona Launer, a daughter, Shannon Colleen; and to Al and Doreen Brunner, a son, Dwayne Mark . . . Wedding bells rang recently for cash unit's Joan Brind, now Mrs. Cecil Edye; TBA stock's Marg Lund, now Mrs. Ken Ford; Dave and Elaine Allison; and keypunch's Sarah Clifton, now Mrs. Eldon Onia . . . Three 30-year service pins were presented at a Calgary Petroleum Club luncheon to Fred Gardner, unit head, plant fixed assets; Larry Kidner, marketing field coordination; and Ralph Bevan, planning and methods . . . Taking vacations were Ted Jong, in Vancouver; Judy Mitchell, in California; Sheilagh Fairs, Hawaii; Donna Schuler, Mexico; Gwen Smith, Utah; and Iris Myring and Angela Seaba, in England . . . Welcome to Bev Sampson, transferred from the now-closed Brandon Refinery to refinery and product movement unit; to Joan Horn, in keypunch general; and to the land records unit en bloc, formerly in exploration but now part of the data centre's accounting group . . . Farewell and best wishes to Heather Sutherland, transferred from machine clerical to production's petroleum engineering section; and to Susan Hutchinson, Linda Roberts, Herman Jans, Edward Brado, Bob Hamilton, and Nora Kieran, who have left the Company.

Toronto Data Centre: Harold Edgar and family sunbathed and golfed in North Carolina. George Brown vacationed in Florida . . . Farewell and best wishes

to Len Smart, who has retired . . . Best wishes to Campbell Black, transferred to expense accounting . . . Congratulations to Diane Pendl, Tony Sciora, Al Read, Fred James, and Bob Spence, who received promotions . . . Welcome to Dave Paterson, transferred from Credit . . . Joyce Hook has a new granddaughter; Rita Banks, formerly of vouchers payable, a son . . . Speedy recovery is wished Marie Juby.

Montreal Data Centre: Centre employees elected to the Employees' Association were Don Bowen, Jeannett Balandis, Tony Chenel, Denise Gobeil, Sharon Harris, Mike Wood and Lise Lefebvre . . . A rotation of supervisors saw Noël Brouillette moved to petroleum accounting and Charlie Marshall to computer controls; D'Arcy Marry has been transferred to machine operations . . . The girls held a baby shower for Ruth Larin, controls and balancing, prior to her departure . . . Welcome to Joan MacKenzie, Guy Rehayem and John Labonté, in product sales . . . Congratulations to Albert Lamoureux, promoted and transferred to product sales; to Eddie Hurson, promoted in general accounting; and to Denis Ferrier, promoted and transferred to vouchers payable.

The centre's hockey warriors lost 8-4 to Marketing then bounced back the following week to edge Credit 8-7 at the Marquette Arena. The hockey-minded are considering an inter-departmental league next season . . . Dick Cummings celebrated his fortieth service anniversary at the Engineers' Club. On hand were Vice-president Hugh Sutherland and office colleagues and friends . . . Doug Holmes is the centre's other veteran employee. Doug celebrated his 39th year with the Company in May.

HEAD OFFICE'S SUSAN MULLIN, GAIL YATES
Downtown display

Centre d'ordination de Montréal: Employés du centre élus à l'Association des employés: Don Bowen, Jeannette Balandis, Tony Chenel, Denise Gobeil, Sharon Harris, Mike Wood et Lise Lefebvre . . . Noël Brouillette a été transféré à la comptabilité des pétroles et Charlie Marshall au contrôle des ordinateurs; D'Arcy Marry a été muté aux opérations des machines . . . Les employées ont organisé un shower à l'occasion de la prochaine naissance du bébé de Ruth Larin, contrôles et bilans, avant son départ . . . Bienvenue à Joan MacKenzie, Guy Rehayem et Jean Labonté, aux ventes de produits . . . Félicitations à Albert Lamoureux, promu et transféré aux ventes de produits; à Eddie Hurson, promu à la comptabilité générale; et à Dennis Ferrier, promu et transféré aux quittances payables.

Les joueurs de hockey du centre ont perdu par 8 à 4 contre le service de commercialisation puis, la semaine suivante, ils gagnèrent par 8 à 7 contre le service du crédit, à l'Aréna Marquette. Les fervents du hockey envisagent la création d'une ligue inter-services l'année prochaine . . . Dick Cummings a célébré son quarantième anniversaire dans la compagnie au Club des ingénieurs. H. S. Sutherland, vice-président, ainsi que ses collègues de bureau et ses amis étaient présents . . . Doug Holmes est l'autre employé vétéran du centre. Doug a célébré son 39e anniversaire dans la Compagnie en mai.

HEAD OFFICE

A team of daffodil girls – Gail Griffith, Ev Clarke, Carole Coghill, Helen Sheffield, Sharon Kustan, Mary Lowe, Jean Butler, Miriam Kuusela and Mary Grimes – went button-holing on their lunch hour for the Canadian Cancer Society's annual appeal . . . Another successful curling season has concluded, supplying enough evidence of both growing interest and quality in play. Several individuals showed big improvements this year in league play. Winners in the league's east end section was the Dick Lang rink, with Tom Oliver, Henry Hofstra and Phil McKeating. Runner-up was Art Gay's foursome, with Gene Goegan, Shirley Land and Ray Riley. Stan Mercer, with Norm Kilback, Sally Sinclair and Jim Hargreaves, was third. In the west end, Bob Dart, with Jack Wood, Jim Forsdike and Susan Long, came out on top. Second was the Ross Laing rink, with Eliz Campbell, Martin Miller and Helen Hill. In third spot was Carl Sherman, with Glen Watson, Mac Campbell and Rowe Wood. In the playoff for the President's Trophy at Leaside Memorial Curling Rink, Bob Dart hung an 11-3 loss on Dick Lang's easterners. Presentations were made at a dance and dinner at the Humber Highland Curling Club.

The annual Easter Bonspiel attracted 80 curlers to Tam O'Shanter. Winning the James Lovick Trophy was the Ed Mann rink, with Norm Kilback, Shirley Thomas and Bob Fyffe. Second event winner was Bob Davies, with Mildred Rois, Ron Orr and Greta Gardner. Les Walker, with Howard Feasby, Henry Hofstra and Elsie Dawson, took the third event; and John Sadler, with Mary Mann, Al Marysiuk and Helen McDermott, the fourth . . . Bob Oswald's rink, which included Bob Dart, curled at the Sherwood Club and won the club championship and the Seagram Trophy, while Wayne Wilson's quartet won the Carling Cup for mixed curling at the Wentworth Club. Wayne also played on the men's championship rink . . . Despite brisk customer traffic in the Tourguide Travel Service section, Susan Mullin and Gail Yates, in their smart orange and blue outfits, had time for the camera at a Gulf Canada display in a downtown Canada Permanent window.

LAW

Calgary: Congratulations and best wishes to Bob Muir on his transfer to Toronto as associate general counsel. Good luck also to Virginia Kiever, who has decided to housekeep on a full-time basis.


TAM O'SHANTER ACTION
Fred McBean lines up shot

MANUFACTURING

Storage Space

Refineries, like homes, need storage space. And at the Company's new $50-million plant at Point Tupper, Nova Scotia, there's going to be plenty, with storage capacity for some 7.2 million barrels of crude oil and refined products. Putting it another way, that's enough to supply Canada's total consumption of petroleum products for about six days.

The eight crude oil tanks will be some of the largest ever built in Canada, each capable of holding 450,000 barrels. The pads for the larger tanks – built of crushed rock covered by a layer of sand – each takes up 4,000 square yards, or nearly half the size of a football field. When completed, the crude tanks will stand 57 feet high with a diameter of 240 feet. A feature will be their double roofs, with the outer roof designed to keep an estimated snow load of up to 6,600 tons off the inner floating one.

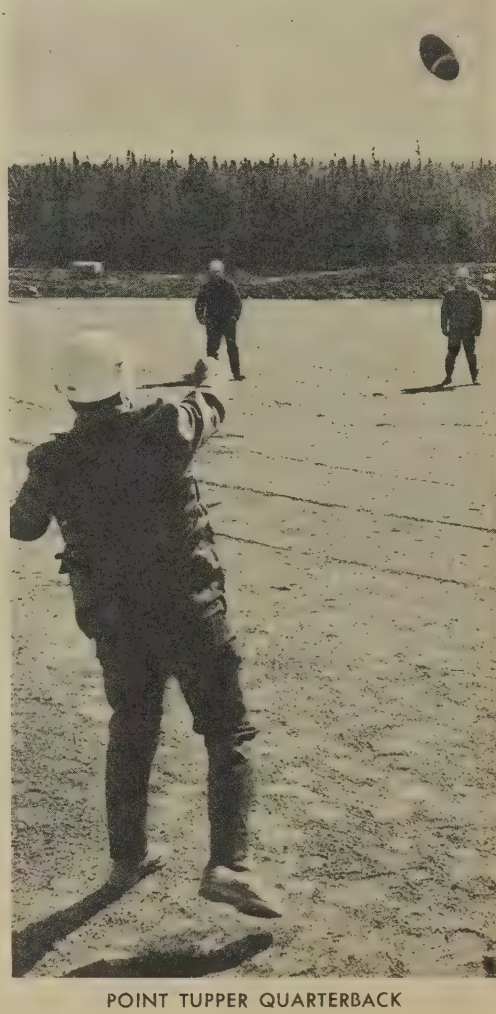
Another 3.6 million barrels of storage capacity for refined products is also being provided in the form of 24 tanks ranging in size from 20,000 barrels to 200,000 barrels. Three additional tanks totalling 44,000 barrels will store oily tanker ballast and other petroleum waste for reprocessing.

Head Office: Welcome to recently-transferred Jack Virgin and Jim Moysiuk, both from Moose Jaw, and Roger Wilkins, from Montreal East . . . Congratulations to Heino and Mrs. Vesik, a daughter, Christine, their first child . . . Welcome to new employee Beth Hamblin . . . Linda Pawley vacationed in LaGuira and Caracas, Venezuela, and Norma Hutchinson in Texas and California . . . Marg Booth was lunched at Old Angelo's and presented with a bath mat set and wine glasses by the department's distaff side prior to her wedding.

Kamloops Refinery: Practically everyone turned out for Archie Blacklock's and Cy Young's retirement party. Special guests on hand were President Charles Hay and Mrs. Hay. Introduced by manager Jock Thomas, Mr. Hay said that Archie's 150-year service record merited a place in Ripley's *Believe it or Not* series. Archie's service awards include a 20-year pin from Imperial Oil; a 40-year award from Royalite; and 45-year awards from both B-A and Gulf Canada. As well as presenting both retirees with wrist watches from their fellow employees, Mr. Hay also presented the refinery's second consecutive President's Safety Award to Jock Thomas. Les Williams, Ralph Steen and Archie Blacklock distributed the award cheques. Mr. Hay congratulated the staff, then described some of the Company's past and present expansion program. Dancing took up the latter part of an exceptionally fine evening.

Congratulations to Don McDonald, who was married in Victoria. Former refinery employee Bob Chalmers was Don's best man . . . Congratulations to 15-year service award recipients Ralph Anthony, Roman Loerke and John McCrindle . . . Danny Cenic is now a Canadian citizen . . . Welcome to new employee Larry Stott; and best wishes to Gordon Chapman, who has left the Company . . . Jock Thomas was re-elected to the hospital board of directors for a further three years.

Port Moody Refinery: Construction work on the refinery's $8-million processing expansion program and new $700,000 sulphur recovery plant is progressing favorably. The expanded crude unit, which will increase capacity 50 per cent to 30,000 barrels per stream day, is scheduled for completion by late summer. Fluor Canada Limited is the project's major contractor . . . Best wishes to the plant's *Commentator* reporter Una Cresswell, who has been seriously ill. Una has not only been missed by her refinery colleagues, but also by *Commentator* staff who regret that Una is to relinquish her reporter duties . . . The refinery's annual bonspiel was held at the Heather Curling Club, with eight rinks competing for the J. W. Morgan Trophy. The Dave Parsons rink, which included Fred Atkinson, Russ Mitchelson and Ron Eddy, came out on top, with Hal Burkett's rink, runner-up. Irwin Dueck's rink won the second event, followed by the Jim Baldick quartet. Contributing to the bonspiel's success were curlers from marketing and transportation.



POINT TUPPER QUARTERBACK
Field-size tank pads

Edmonton Refinery: The annual Easter weekend bonspiel at Edmonton was a replay of last year's with the Neil Waters rink coming out on top in the grand challenge. Other winning rinks from the refinery were Al Babiuk, second event, and Doug Irvine, third event. The double syndicates of Mike Perdue and company and John Babinec and fellow adventurers cleaned up 95 per cent of the Calcutta amounting to $670.

Saskatoon Refinery: The Gulfco Club's roll-a-bowl-a-ball tournament at Hunter's Bowladrome made for plenty of fun and prizes. High score prizes – travel alarm clocks – went to Gordon Ploss, Bernie Broskie, Audrey Burden and Betty Wood; with low score prizes going to Mike Beaton, Dale Donohue, Bev Johnson, Gwen Greenshields and Mae Hunter. Hidden score prizes were won by Lorraine Sachko, Lou Reid, Myrna Stefaniuk, Al Schimnowsky, John Twigg and Byron Wood. The door prize, also a travel alarm clock, was won by Mac Hunter.

Moose Jaw Refinery: Manager Bill Bentley presented the Moose Jaw Junior Band Association with a $500 cheque at a Lions' concert in the Peacock auditorium. The money was the second instalment of a $1,000 Company donation towards the band association's Project 70, an overseas tour of Britain and Scotland with competition at the International Band Festival in Holland. Good band music has been "synonymous with the city for many years and too often the organization is taken for granted," Bill told the audience.

With a membership of some 300 young people between eight and 18, the band association includes four "A" to "D" groups each with its own aggregation. Refinery employees Doug Probert, George Fowler and Bill Anderson are among several keen community volunteers who help administer and operate the organization. Doug has been named transportation chairman and Bill is tour fund treasurer for Project 70. Bill is also the association's

vice-president, while George is an executive committee member and "B" band manager.

Bill and George also have children in the band who hope to make the Project 70 trip. Trombonist Ken Anderson, 16, has been with the JBA more than five years, with nearly half of that time spent in the "A" band. Cindy Fowler, 13, who has one year less "A" band experience than Ken, plays clarinet.

Curlers participating in the refinery's spring bonspiel were asked to forget brooms and take to shovels to help protect the plant dam as Moose Jaw Creek flood waters reached dangerous levels. Within minutes, 100 volunteers were filling and wielding sandbags, increasing the dam's perimeter level two feet in two hours to stave off disaster. Manager Bill Bentley thanked the curlers for a "great display of co-operative action". The tournament, completed the next day, was played at the new, 14-sheet Moose Jaw Country Club, with 30 rinks competing in three events. Main event winner of the Gulf Oil Trophy was the refinery's Bob Stark foursome, which included Dale Scott, Ken McKenzie and Jack Sutcliffe. Jim Strain's production rink from Estevan won the second Transporter event, with the Trimac Transport quartet skipped by Dick Lutz winning the Last Chance event. The formula of friendly atmosphere, strong competition and pleasing surroundings once more made for the bonspiel's success.

Point Tupper: Seeing construction activity first-hand was a Company executive group which included President Charles Hay, Board Chairman Clarence Shepard, Executive Vice-president Jerry McAfee, Senior Vice-president Lorrie Blaser, and vice-presidents John Stoik and Hugh Sutherland. Following a briefing on refinery layout, the executives toured the site, reviewing progress being made on the oil terminal wharf, refinery tank farm and process area. They also inspected the construction camp's kitchen and dormitory complexes. Later, at a luncheon meeting, Port Hawkesbury mayor, A. J. Langley, Jr., presented Messrs. Hay and Shepard with Macpuffin carvings. A penguin-like local sea bird, the puffin has been given a Scottish prefix and adopted as Cape Breton's symbol.

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1. Emergency action by volunteer bonspiel competitors helped Moose Jaw Refinery dam withstand rising flood waters.

2. Moose Jaw's Bill Bentley (r), George Fowler and Doug Probert admire Ken Anderson's trombone stylings.

PRODUCTION LOSS
Calgary weight-reducers shed 121 pounds

CORPORATE PLANNING & ECONOMICS

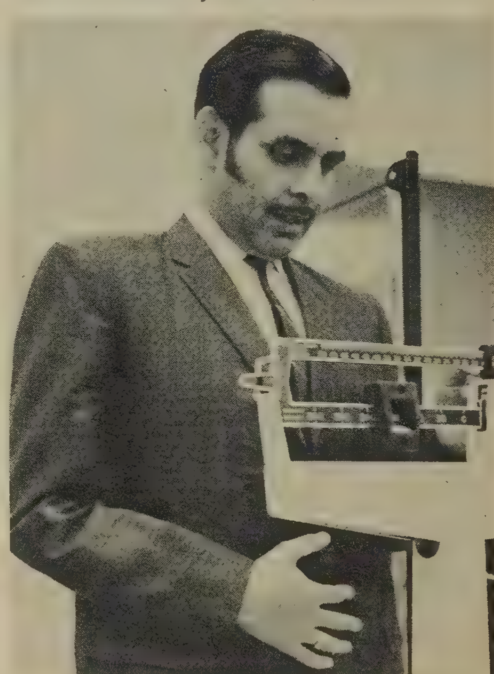
Head Office: Bob Davies was presented with his 35-year service pin at a Westbury luncheon . . . Welcome back to George Norton after an operation . . . Hugh Simmons and family enjoyed a skiing vacation in Vermont . . . Farewell to Doug Brown, who has returned to school . . . Senior project analyst Doug Kyle returned briefly to Calgary to receive the city's Booster Club Sportsman of the Year award. Former Canadian long-distance record holder, Olympic team member and track and field coach, Doug was cited for his contribution to amateur athletics on both local and national levels. A geologist, Doug moved to Head Office earlier this year after ten years with the Exploration Department in Calgary.

PRODUCTION

Calgary: Mo Fazil, biggest loser, ended up the winner in a men's three-month-long weight-reducing competition. However, the results looked good on everyone and, in this sense, all competitors were winners. Mo worked off 31 pounds for a winning 15.82 per cent loss. Second was Dick Hughes, down 27 pounds (12.99 per cent). In the show spot was Al Langard, thinner by 21 pounds (11.67 per cent). Jim Buchholz, bucking a big 25-pound handicap, only managed a two-pound loss to finish last in a field of nine. Other competitors, in order of finish, were Ralph Clark, John Beddome, Bill Hellofs, Phil Hoven and John Parder. Between them, they dropped 121 pounds by various torturous means. However, latest report is that lost poundage is already beginning to re-appear on some of the competitors . . . Congratulations to 15-year long-service pin recipients Ken Boucher and Jim Milne.

Turner Valley: Congratulations to long-service pin recipients Charlie Gratama, 30 years; Bill McGonigle, 20 years; and Ruth Pearson, ten years.

Estevan Area: Board chairman Clarence Shepard presented employees with their sixth consecutive President's Safety Award. It represented some 676,800 man-hours without a lost-time accident. (See President's Safety Award.)



WINNER MO FAZIL
Fifteen per cent off

Edmonton Area: John Pysmeny completed 20 years' service with the Company recently, while John Mravly was a 15-year pin recipient.

Nevis Gas Plant: Congratulations to Ron Martynuik, who has completed 15 years' service with the Company.

TREASURY/GENERAL SERVICES

Head Office: Ruby Hyndman went Latin American for her vacation, visiting Venezuela and Peru. On the way, she took in the carnival at Trinidad, and returned via Mexico . . . Purchasing's Marvin Chantler was lunched at Malloney's and given a pen-and-pencil set before leaving the Company. Welcome to Marvin's replacement, Larry Bennett . . . Jim LeMay and family vacationed for two weeks in Florida . . . Les Lamb's car lost a decision to a large bus in a traffic mishap.

Calgary: In insurance, welcome back to Fran Schlosser; and best wishes to Wilma Gathercole, transferred to production . . . Welcome to receptionist Gail Taylor, teletype operator Del Bannerman, Vern Baley, Tom Colvin, Joe Schecter and Spencer Anderson. The mailroom welcomes Linda Webb, Anna McLeod, Sandra Bell, Erin McCue and Sharon Lane . . . Best wishes to Janet Sinclair and Ron Marshall, transferred to central files, and to Connie Craig, now in drafting . . . Farewell to Allan Scott and Miles Williams, who have left the Company . . . Bill Boers, 15 years, and Gordon Drabble, ten years, received their service pins recently . . . Congratulations to Boni and Lorna Rodrigues, a son, Luke.

Montreal: Congratulations to recently appointed Armand McKeown, senior insurance analyst, and André Gourd, insurance analyst.

Montréal: Félicitations à Armand McKeown, analyste d'assurances senior, et à André Gourd, analyste d'assurances, pour leur récente nomination.

PERKINS GLUE

Perkins' Jack Bell was elected second vice-chairman of the Forest Products Research Society, Eastern Canadian section, at its annual meeting at Kitchener's Holiday Inn in April. Jack was also the meeting's chief organizer. About 100 members from as far as Sault Ste Marie and the Atlantic coast were in attendance . . . Congratulations to Garnet Stock, who received his 30-year service pin in April; and to tank truck driver Lloyd Campbell, who received a 12-year safe driving award at a local award presentation.

GULF CANADA

Gulf

1968 ANNUAL REPORT

For your information

GULF OIL CANADA LIMITED

Founded in 1906

STATEMENTS OF CONSOLIDATED EARNINGS

for the year ended December 31, 1968 (with comparative figures for 1967)*

EARNINGS

	1968	1967
Revenue:		
Gross sales and other operating revenues	$752,724,000	$718,739,000
Less gasoline and fuel taxes	135,930,000	121,900,000
Net sales and other operating revenues	616,794,000	596,839,000
Investment and sundry income	13,133,000	12,259,000
	629,927,000	609,098,000
Deductions:		
Purchased crude oil, products and merchandise	271,290,000	271,189,000
Operating, selling and administrative expenses	199,636,000	187,305,000
Taxes, other than taxes on income	37,260,000	35,989,000
Depreciation, depletion and amortization	45,547,000	41,005,000
Interest and amortization of discount and redemption premium on long term debt	4,796,000	3,681,000
Income (loss) applicable to minority interests in subsidiaries	111,000	(106,000)
	558,640,000	539,063,000
Earnings for the year before Income Taxes	71,287,000	70,035,000
Taxes on Income		
Current	24,605,000	23,535,000
Deferred	(1,461,000)	1,775,000
	23,144,000	25,310,000
Earnings for the Year	$ 48,143,000	$ 44,725,000
Per share of common stock outstanding at the end of each year	$ 2.13	$ 2.04

* This statement has been extracted from the Statements of Consolidated Earnings appearing on page 24 of the Company's Annual Report for 1968.

Prepared primarily for shareholders, investment analysts and potential investors, Gulf Canada's Annual Report for 1968 contains a wealth of information on the Company and its affiliates. It is important, therefore, to bear in mind that the financial statement and statistics included in the report are a consolidation of the operating results of Gulf Canada and all of its affiliated companies.

The success of our 1968 operation reflected the combined results of the skills and hard work of 11,650 employees, coupled with an investment of $651 million by 26,493 shareholders, many of whom are also employees.

For their skill and industry, employees shared in a wage, salary and benefit plan package of $95.3 million. Covering a wide range of employee and dependent benefits, Guf Canada's program

includes paid vacations, group health plans, group life insurance, survivor benefits, disability benefits, retirement income plan, savings plan and remuneration for self-improvement courses successfully completed.

For their $651 million investment, shareholders were paid dividends totalling nearly $24.7 million, with the balance of the year's profits – some $23.4 million – re-invested in the business to provide for the future growth and stability of the enterprise.

Employees and shareholders were not, however, the largest beneficiaries of Gulf Canada's 1968 operations. Governments at all levels received over $196 million in taxes, either collected from customers on their behalf or levied directly against the income or operations of the Company. This figure does not include income taxes levied on employees' earnings or on shareholders' dividends.

The generation of sufficient revenues to pay these sizeable sums to employees, shareholders and governments was the result of a complex operation which included the sale of 74.7 million barrels (2.6 billion gallons) of refined petroleum products, 115.3 billion cubic feet of natural gas and 454.6 million pounds of petrochemicals, as well as the production of 29.3 million barrels of crude oil and natural gas liquids.

These staggering figures serve to indicate the size of our operation and illustrate why it took the combined efforts of 11,650 employees and more than $600 million in shareholders' investment to generate this income. During 1968, the Company spent several hundred million dollars for such things as raw materials and product purchases, exploration costs, data processing costs, supplies, rents, taxes and other miscellaneous items, and took in even larger amounts in sales and other revenues.

The end result of this complex and mammoth activity was a net profit of more than $48 million. While this may appear in itself to be a sizeable figure, it is put into its proper perspective when compared with the human endeavor and the huge investment required to realize this profit.

To assist employees in achieving a better understanding of the statement of consolidated earnings of Gulf Canada and its affiliates for the year ended December 31, 1968, explanations of the earnings figures taken from the Annual Report are set out in the accompanying summary:

2. For shareholders, $24.7 million in dividends.

3. For employees, a $95-million package.

1. $196 million paid in taxes.

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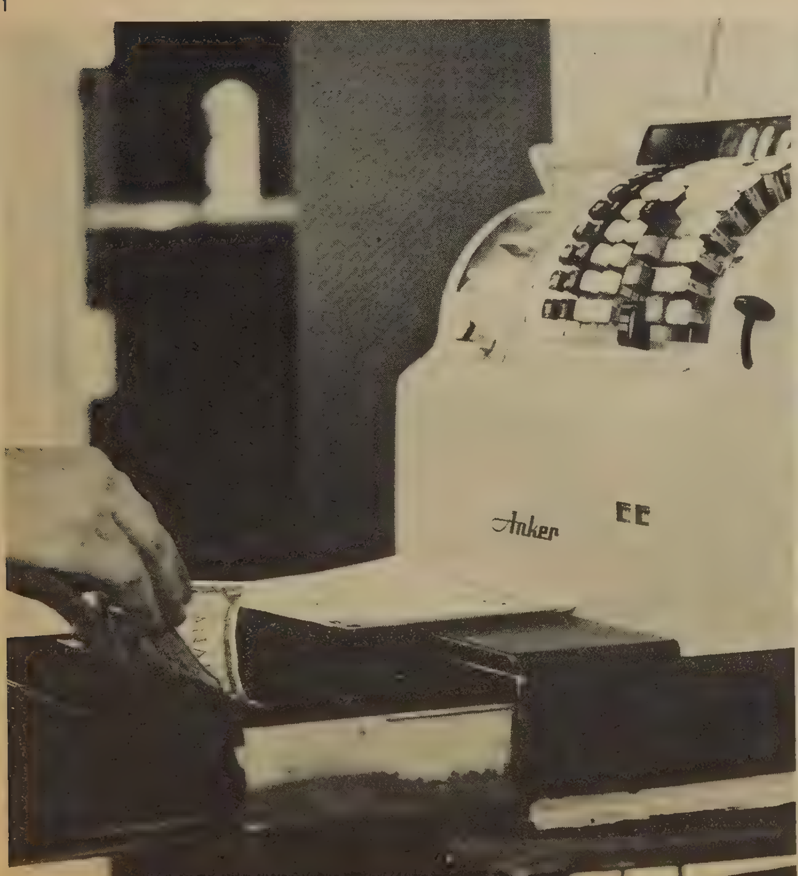

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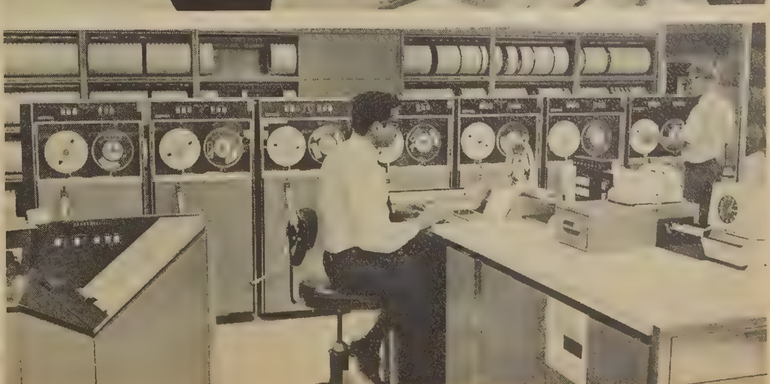

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REVENUES

Revenues from two main sources – sales and operations; and dividends, interest and sundry income – contributed to the Company's net 1968 revenues of $629,927,000.

Gross Sales and other Operating Revenues $752,724,000

Refined Products

Total sales of refined products reached 2.6 billion gallons in 1968, a 2.5 per cent decrease from the 1967 total. This was attributable to foregoing some large-volume, long-discount business that would not have made any material contribution to profits. Gains were recorded in sales of gasoline, particularly through service stations, asphalt, lubricating oils and propane. The total value included above contains provincial gasoline and fuel oil taxes, which now make up approximately one half of the ultimate price to the consumer of the products being taxed.

Petrochemicals and Chemicals

Petrochemical sales, excluding sulphur, totalled 454.6 million pounds, compared with 471.9 million pounds in 1967. Price erosion in product lines, including plastics, continued in the early part of 1968, but the latter part showed improvement in both volumes and prices, an indication that the problems of over-supply in the chemical industry are easing.

TBA, Gas Appliances and Merchandise

Sales of TBA items at the service station level were in two categories: Company identified – everything from flashlight batteries to a complete line of quality tires – and automobile products sold under various well-known brand names.

Appliances designed for use with propane gas were distributed through the marketing facilities of Superior Propane while Western Tire stores marketed a wide variety of merchandise.

Crude Oil

As Gulf Canada is a net purchaser of crude oil for use in operating its nine (in 1968) refineries, which processed 71.3 million barrels during the year, revenues include only sales of crude oil to the U.S. market.

1. Service station gasoline sales up.

2. Higher propane volumes.

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Natural Gas and Gas Products
Net natural gas produced and sold increased from 284 million cubic feet daily in 1967 to 315 million cubic feet daily in 1968, amounting to 115.3 billion cubic feet for the year.

Other Operating Revenues
Gulf Canada and its affiliates derive a portion of their income from the operation of pipe lines, sub-charter of tankers, rental of service stations and other facilities, processing of crude oil for the account of other companies, and numerous other activities. While relatively small when compared to our total revenues, they nevertheless contribute many millions of dollars, and are important in rounding out the complex operations designed to ensure the Company's success.

Gasoline and Fuel Taxes $135,930,000
Provincial gasoline and fuel taxes are applied on all petroleum products sold by the Company which fall under the definition of "fuel consumed by any internal combustion engine." These taxes are collected by the Company at the time of sale and remitted to the various provincial governments. For this reason they are deducted from income to produce the "net sales and other operating revenues" of $616,794,000.

Investment and Sundry Income $13,133,000
At the end of 1968, the Company and its affiliates had outstanding short-term investments of $52.1 million, representing mainly the balance of funds derived from the sale of debentures during the year, which are temporarily surplus to current requirements. Investments in associated and other companies, long-term advances and other items totalled $57.4 million. These investments and advances earned income during the year and the form of interest and dividends which produced most of the investment and sundry income.

1. TBA items: display helped them move.

2. U.S. market for crude oil.

3. Natural gas production up 31 million cubic feet daily.

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DEDUCTIONS FROM REVENUES

During 1968, the Gulf Canada companies incurred expenses totalling $558,640,000, in order to realize the foregoing revenues. These expenses are deducted from the net revenues of $629,927,000 to arrive at the earnings for the year. Explanations of the items included in the individual expense categories are as follows:

Purchased Crude Oil, Products and Merchandise $271,290,000

Crude Oil, other Raw Materials and Products

Despite the fact that Gulf Canada, as an integrated oil company, is a producer of crude oil, Company production accounts for only slightly more than half the Canadian crude oil requirements of its refineries. The remaining volumes are purchased, as are quantities of other raw materials and refined products.

Merchandise

Most TBA items sold through Company outlets, including some under British American (in 1968) brand names, are purchased from outside concerns specializing in their manufacture. Also included under this item are containers for packaged products such as lube oils and greases, and gas appliances and other merchandise purchased by Superior Propane and Western Tire for resale.

Transportation

During 1968, the Company used many different pipe lines to transport crude oil, refined products and natural gas. In addition, a number of chartered tankers and barges delivered products from refineries to terminals and customers on the Great Lakes and on both the east and west coasts and railways transported refined products in many areas of the country.

1. Product carried by road, rail, ship and pipe line.

2. Crude purchases meet refinery demand.

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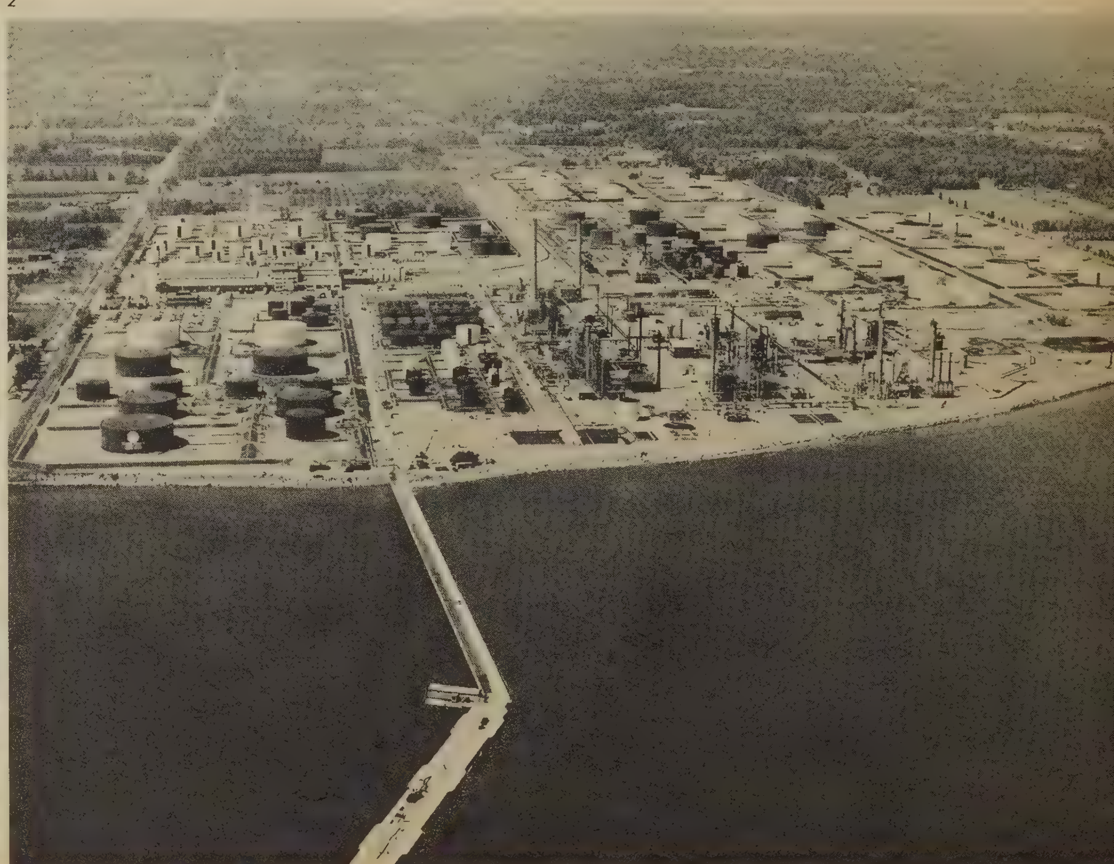

Operating, Selling and Administrative Expenses .. $199,636,000

Included under this heading are all expenses incurred in searching for new oil and gas reserves, producing crude oil and natural gas, operating refineries, marketing the Company's products and all administration expenses including the costs of all Head Office departments. The total wage, salary and benefit costs of $95.3 million referred to earlier are contained in this total. Costs of operating Company-owned facilities such as pipe lines, barges and tank trucks also form part of this expense.

Taxes, other than taxes on income $37,260,000

This category includes all taxes other than those on income and gasoline and fuel oil sales referred to elsewhere. These include federal sales tax and municipal and school assessments made by local authorities. Since Gulf Canada is located coast-to-coast in Canada, these payments are made in most areas of the country.

1. Exploration costs money.

2. Plant depreciation is continuous.

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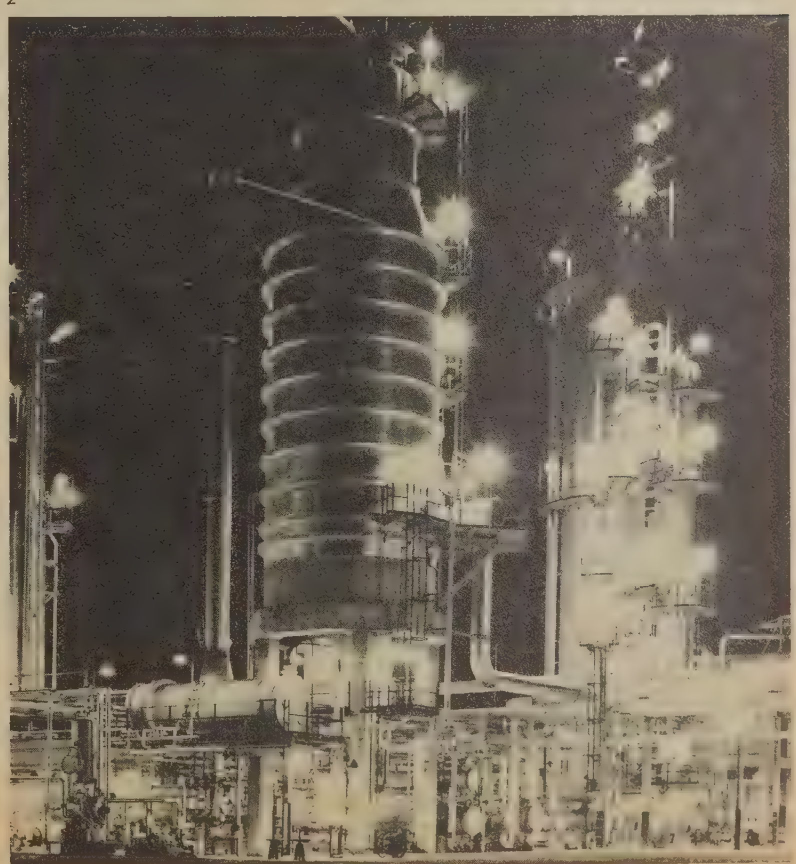

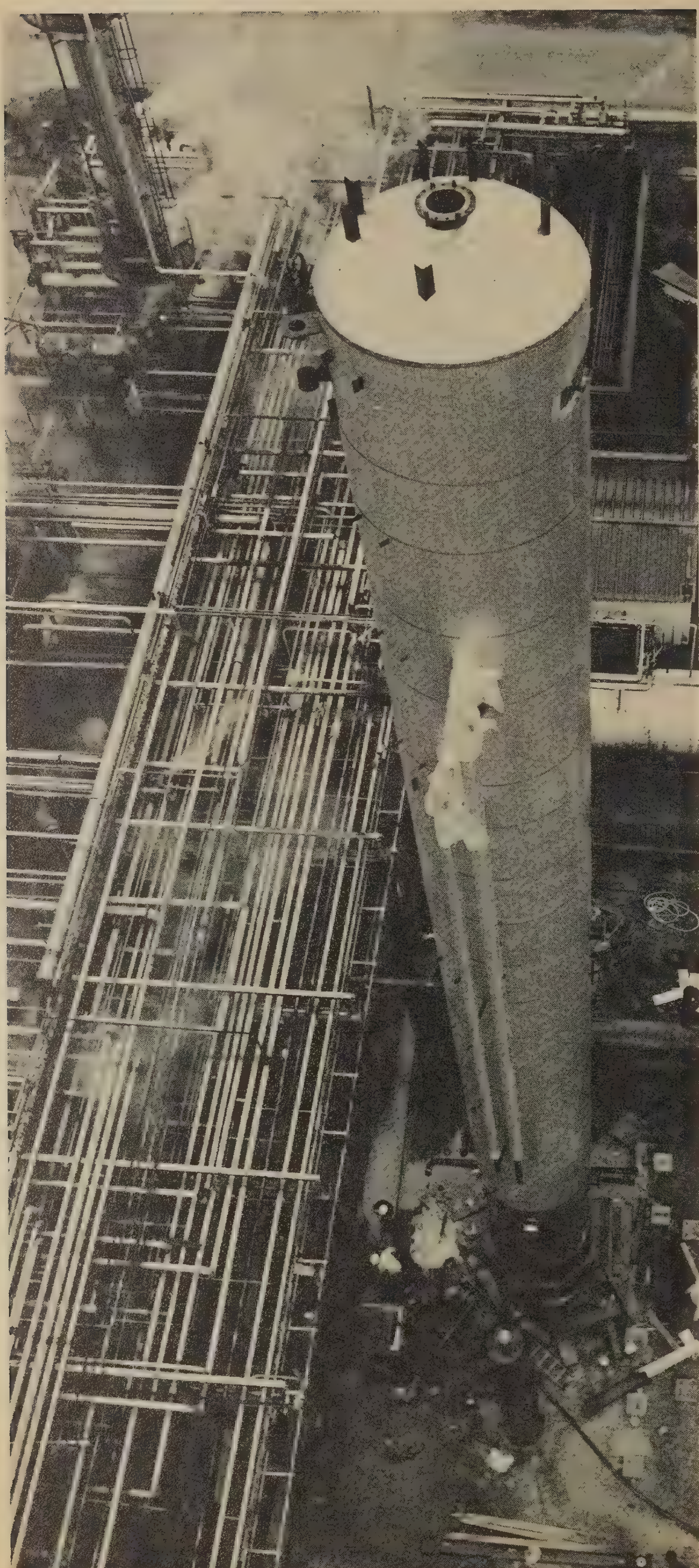

Depreciation, Depletion and Amortization **$45,547,000**

The original cost of a company's investment in physical assets diminishes over the years as properties, plants and equipment wear out or are depleted. Each year, engineering studies determine the amounts to be written off and charged against earnings in recognition of the reduction in value which arose during the year. Gulf Canada's present facilities originally cost $1,001 million. Accumulated depreciation, depletion and amortization, including this year's $45 million, now amounts to $473 million, leaving a net investment in properties, plants and equipment of $528.6 million.

Interest on Long Term Debt **$4,796,000**

Corporations, like individuals, frequently find it necessary to borrow funds with which to expand facilities and improve services. During 1968, Gulf Canada borrowed $50 million for these purposes. At the end of the year, the Gulf Canada companies had debentures and other long-term debts outstanding of $117.5 million at the year-end, and the interest cost of this borrowing is included under this heading.

Income (Loss) Applicable to Minority Interests in Subsidiaries **$111,000**

The revenue and expense items outlined above include the totals for Gulf Oil Canada Limited and all companies in which it has more than a 50 per cent ownership interest. There are a few companies included which are partly owned by others and this figure represents their share in the profit or (loss) of those companies. During 1968, the Company acquired under a share exchange offer, the one-third interest in Shawinigan Chemicals Limited previously owned by Gulf Oil Corporation.

TAXES ON INCOME **$23,144,000**

Income taxes payable to the federal or provincial governments for the year 1968 amounted to $24.6 million, of which $1.5 million was charged against deferred taxes on the balance sheet and the balance of $23.1 million charged against earnings.

EARNINGS FOR THE YEAR .. **$48,143,000**

Of the resulting earnings for 1968, shareholders received $24.6 million in dividends. The remaining $23.5 million was re-invested in the business.

Investment in properties, plants and equipment totals $528 million.

SHAWINIGAN CHEMICALS

Ste-Anne-de-Bellevue: Le derby annuel de pêche sur glace du centre de recherches a au lieu à Rigaud. Les 67 participants occupaient sept cabanes. Les premiers poissons, et les plus gros, furent attrapés par Roland Normandin. Les estimations impartiales nous disent que Roland prit un poisson de 22 pouces, suivi d'Huguette Bruneau avec une prise très respectable de 18 pouces. La journée se termina par un souper aux fèves, préparé par le Club récréatif de Shawlab.

Ste-Anne-de-Bellevue: The Research Centre's annual Ice-fishing Derby was held at Rigaud, with some 67 participants occupying seven cabins. Both the first and largest fish were hooked by Roland Normandin. Unbiased estimates placed Roland's big catch at 22 inches. Huguette Bruneau followed with a respectable 18-inch catch. The day ended with an appreciated hot beans supper provided by the Shawlab Recreation Club.

Ste-Thérèse: Félicitations à Hubert Sauvé et à son épouse, une fille . . . à Denis Gélinas et à son épouse, également une fille . . . Nos condoléances à C. E. Nadon à l'occasion du décès d'un de ses frères . . . Le tournoi de quilles du Melope Club pour les employés et leurs parents a été tellement réussi qu'un deuxième tournoi a été organisé le mois suivant. Dans la première rencontre, les deux finales ont duré jusqu'à la dernière partie, René Boisvert jouant avec Jean-Guy Lefebvre contre P. P. Marcotte et P. A. Bourgeois. Dans le tournoi des dames, Agnès Bourgeois et Colette Magnan finirent par triompher de Denise Chalifoux et Nicole Fecteau. Dans le deuxième tournoi, Jeanine Desjardins et Monique Lapointe ont gagné le prix des dames, et Claude Fecteau et Maurice St-Onge celui des hommes. Les deux tournois se terminèrent par une soirée très amusante . . . Récemment élus au comité du Melope Club: Claude Fecteau, président; Yvan Lapointe, vice-président; Colette Magnan, scrétaire-trésorière; et Claude Beliveau et John Kotacka, administrateurs.

Ste-Thérèse: Congratulations to Hubert and Mrs. Sauvé, a daughter; and to Denis and Mrs. Gélinas, a daughter . . . Sympathy is extended to C E. Nadon on the death of a brother . . . The Melope Club's bowling tournament for employees and relatives proved so successful that a second was staged a month later. In the initial event, both finals went down to the last game, with René Boisvert teaming with Jean-Guy Lefebvre to edge P. P. Marcotte and P. A. Bourgeois. In the ladies' tournament, Agnes Bourgeois and Colette Magnan eventually triumphed over Denise Chalifoux and Nicole Fecteau. In the second tournament, Jeanine Desjardins and Monique Lapointe won the ladies' prize, and Claude Fecteau and Maurice St-Onge the men's. Both tournaments ended with fun-filled parties . . . Recently elected to the Melope Club's committee are Claude Fecteau, president; Yvan Lapointe, vice-president; Colette Magnan, secretary-treasurer; and Claude Beliveau and John Kotacka, directors.

Varennes: 35 anciens employés de l'usine de Shawinigan ont été incorporés au personnel, en même temps que de nombreux nouveaux employés. Ils ont rejoint d'autres anciens employés de l'usine de Shawinigan dans le service technique et de l'entretien . . . Huit opérateurs des usines de la Gulf-U.S., Cedar Bayou et Port-Arthur, aident à la mise en service de la nouvelle section Oléfin II. Steve Dodwell est affecté au groupe technique de l'entretien mécanique. Steve, en s'essayant au ski a subi une blessure du pied qui a exigé la pose d'un plâtre. La direction a expliqué la réorganisation au sein de l'usine pour une cinquantaine de membres du service technique, des opérations et de chefs de service à un dîner au restaurant La Saulaie à Boucherville.

Félicitations et bienvenue à D. L. Major, de la raffinerie de Clarkson, récemment nommé directeur du service technique et de l'entretien; R. A. Doig, de la raffinerie de Calgary, surintendant de l'entretien; T. J. Goddard, de l'usine de Shawinigan, ingénieur de l'usine; I. G. Palmer, de l'usine de Shawinigan, surintendant technique; et W. H. Miller, de l'usine de Montréal-Est, surintendant des opérations . . . Au revoir à D. G. Demianiw, transféré à la planification et à la mise au point, au siège social.

Varennes: Included in the sizable addition to the staff in recent months are 35 former Shawinigan Works employees. Now part of the plant's operation group, they joined other ex-Shawinigan Works staff in engineering and maintenance . . . Helping with the start up of the new Olefin II section are eight operators from the Gulf-U.S., Cedar Bayou and Port Arthur plants, and Steve Dodwell, assigned to the mechanical maintenance engineering group. By the way, Steve, trying his hand (or feet) at skiing, suffered a foot injury requiring a cast . . . Management outlined re-organization taking place within the plant to some 50 engineering, operations and supervisory employees.

Congratulations and welcome to recently-appointed D. L. Major, from Clarkson Refinery as manager, engineering and maintenance; R. A. Doig, from Calgary Refinery, maintenance superintendent; T. J. Goddard, from Shawinigan Works, plant engineer; I. G. Palmer, from Shawinigan Works, technical superintendent; and W. H. Miller, from Montreal East Works, operating superintendent . . . Farewell to D. G. Demianiw, transferred to planning and development.

SHAWLAB WIVES AT ICE-FISHING DERBY
Getting supper the hard way

Frank Welch Elected Britamco Prexy

A good (if hairy-legged) fairy becomes president, aided by a witch. Dogpatch's Li'l Abner and Daisy Mae are made the president's chief aides. *Wizard of Oz* fugitives Tin Man and Cowardly Lioness are among the defeated candidates.

It wasn't a politician's wild dream. It took place during this year's Britamco Club election campaign, when Frank Wright, discarding his ballet costume and wand for business suit and gavel, emerged as president. Terry (Li'l Abner) Tarves was elected first vice-president and Linda (Daisy Mae) Campbell, second vice-president.

The campaign shows were the usual Britamco variety – fast, leggy and hilarious. The Frank Wright crew's *Story Time* show turned out well, fairy-tale fashion, in the end. Even witch Darlene Skapple eventually experienced a good transformation – into Tiny Tim no less! Audrey Beranek was the Cowardly Lioness and Rudy Lieskovsky, Tin Man. The story teller was Len Proskow. Others in the cast were: Jackie Van Tighem, Melanie Anderson, Allison Fahey, Lee Bennett, and Chris Redman, as forest belles; Susan Airth and Susan Hutchinson, honey bees; and Wayne Petch, Lloyd Pearson and Jim Jones, minstrels. Molly Jo Moran did the choreography and Gene Palmer, the props. Natt Christie looked after advertising.

The Dogpatch extravaganza, which featured a cast of thousands (well, about twenty), celebrated Jubilation Day somewhat prematurely with presidential candidate Paul Marcil, as Jube T. Cornpone, coming out on the light end at the polls. However, the show was a winner all the way. Antics inspired by the ever-present joy juice and a hillbilly weddin' made for a lively story line, hung together by vigorous dancing and snappy singing. Besides successful candidates Linda Campbell and Terry Tarves, others in the cast were: Tom Schwartzenberger and Ken Sinclair as Mammy and Pappy Yokum; Virginia Prepchuk as Moonbeam McSwine; and Bill Robinson, Marrying Sam. Choreographer Gwen Smith was joined by dancing girls Vi Livingston, Gail Bannert, Marilyn Pearce, Elaine Hawkins, Susan Ilott and Eilleen Mooney. Don Moore, Ken Sears, Gerry Waldman and Bill Welch contributed from the sidelines, and in the orchestra were Keith Fewster (arrangements), Benny Uchacz, Lyle Kosh, Joe Walushka and Lloyd Pearson. Campaign manager was Frank De Bussac.

1. Choreographer and dancer Molly Jo Moran was one of Storytime's fetching flower children.

2. Central to the plot, joy juice barrel was centre-stage for Jubilation Day's grande finale.

3. In mechanical difficulty, Tin Man Rudy Lieskovsky gets repaired by witch Darlene Skapple.

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4. *Virginia (Moonbeam McSwine) Prepchuk offered soul version of "Doing what comes naturally."*

5. *Linda (Daisy Mae) Campbell and Terry (Li'l Abner) Tarves were elected vice-presidents.*

6. *Fairy princess Frank Welch's pirouette brought the house down. His wand was also magic at the polls, winning him presidential post.*

5

CALGARY BUILDING

Surprise Ingredient

The Britamco Club's tenth annual general meeting drew more than 200 members to the auditorium, where outgoing president Jack Roberts' speech dealt mainly with the proposed club name change. His full report, together with the financial statement, was included in a booklet distributed at the meeting. Jack also introduced new president Frank Wright, who introduced his vice-presidents, Terry Tarves and Linda Campbell. Outgoing vice-presidents Brian Lewis and Virginia Prepchuk reviewed club activities and Paul Marcil presented the treasurer's report. In addition to the Britamco pins presented to last year's unit managers and committee chairmen, three special awards were given to Jean May, Ken Sinclair and Gerry Waldman for distinguished service with the club. Charlie Innes then presented a huge anniversary cake with a surprise ingredient, pretty Ethel Gerwien in an eye-catching bikini-and-balloons costume. Musical interludes by Britamco's showband, a dance routine staged by Darlene Skapples' new chorus, and a Brian Lewis-Virginia Prepchuk vocal duet filled out the meeting's entertainment portion. An excellent meal at the 3C's Restaurant concluded the evening.

At the city's United Fund annual Award Winners Recognition Dinner at the Highlander Hotel, Gulf Canada's Calgary-based employees received their sixth consecutive award. Little Miss United Appeal for 1968, Justine Thompson, presented the plaque to Gwen Smith and Gordon Bergl. Also on hand to represent fellow employees were Dolores Benedictson, Betty Pasloski, Jack Roberts and Frank Wright.

Britamco's Rod and Gun Club annual banquet was held at the Air Force Centennial Club. Over 160 persons enjoyed a meal of meat, waterfowl and fish contributed by members. Guest speaker was Robert Hobbs whose subject was outfitting for hunting. A film about hunting in the Northwest Territories captivated everyone, including the non-hunting relatives in the crowd. An evening highlight was Bob Cochrane's description of feats achieved with his "Pakistani" hunting rifle, which comes equipped with extras such as attached binoculars and slingshot as a reserve firing device. Bob's tale couldn't miss for the bull-slinger's award, presented to him by last year's winner, Jessie Dorsey. However, a story about a weird trophy supposedly bagged by Ross Davis and Natt Christie but whose natural habitat appeared to be a local joke shop, came close to topping Bob's effort. The Sportsman of the Year Award went to Hank Rodney, with Barbara Stein's six-year-old son Gary winning the junior award.

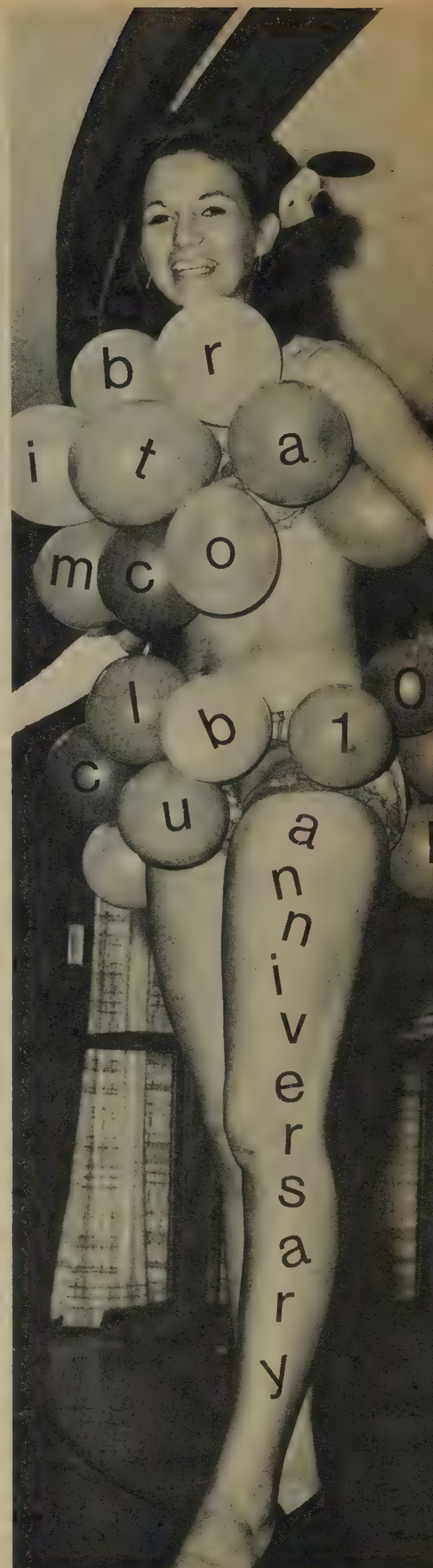
CALGARY'S DORSEY, COCHRANE
From one tall tale-teller to another

EXPLORATION

Calgary: Congratulations to Bill Patton and Ron Stewart, both recent 15-year service pin recipients . . . Farewell and best wishes to recently-transferred Ken Attrell, Lynn Jeffries and Al McDermott. Ken is now with Iranian Oil Operating Companies, while both Lynn and Al are in Toronto working with Gulf Minerals Company.

RESEARCH CENTRE

Outdoor sports activity is underway. The soccer club has been training vigorously and started its league program in April. Officers for the club recently elected include Tony Markin, president, and Clive Pyburn, captain. A tennis club is being formed. The golf club has elected Roger Leveque, Bill Brown and Bob Adcock to its committee . . . Recent vacationers included Joan Coffey, who visited Washington . . . Congratulations to Alan and Betty Logan, a son, James . . . Best wishes to Mary Young, leaving the Company to join Air Canada as a stewardess. Mary, who will complete six weeks' training in Montreal before taking to the skies, was presented with a lighter at a farewell party . . . Karen Stanford hosted a bridal shower for Darlene Strachan.



BRITAMCO'S ETHEL GERWIEN
A cookie with the cake

CREDIT

Convenient Credit

The Canadian oil industry's first complete credit card budget plan, Gulf Canada's Extended Payments Option, was offered to customers in Ontario on May 1. It supersedes limited budget facilities covering tires, batteries and repairs. The new plan eliminates extra paperwork and calculations at the service station level.

Similar to department store and bank credit card deferred payment plans, the Extended Payments Option permits Travel Card users to pay part of their monthly accounts and extend payment of the remainder. Complete details of costs and minimum payments required are being sent to credit customers as the plan comes into effect across the country.

"The idea behind the new service is greater customer convenience and the need to keep abreast of competition from bank and other credit card plans," says credit manager Bill Habkirk. "Our customers are using their Travel Cards for a wider range of services than ever before. As a result, we get many requests for extended payments.

"This new credit service is optional as the name implies. Our customers can still pay for normal petroleum requirements in full each month when their statement is received, with no extra charges. Or, they may extend payments on major purchases and unexpected expenses, including car repairs and vacation trips."

The Extended Payments Option will be available in Quebec and the Maritime provinces on June 1, and in the Prairies and in British Columbia on July 1.

Gulf Canada Travel Cards are accepted at over 38,000 Gulf-identified service stations in Canada and the U.S., as well as by several other oil companies in the States, more than 1,000 Holiday Inns, and Avis and Tilden Rent-A-Car agencies.

Ontario: Dave Paterson, transferred to Toronto Data Centre, was presented with an inscribed tankard from 35 colleagues present at a stag party held in his honor . . . Prior to transferring to Public Relations, Head Office, Chris Catena was lunched at the Inn on the Park . . . Welcome to new employees Gary Rector and Michael Devine; and to Ann Melnychuk, transferred from planning and development, Marketing . . . Best wishes to Françoise Gour, who has left the Company . . . Diana George enjoyed a vacation in Mexico.

Calgary: A Bonnie and Clyde costume party at the Polish Community Hall brought plenty of hoods and molls out of hiding. It also provided an excellent opportunity for Royalite and Gulf Canada credit people to get to know one another. Good music by the Swinging Bachelors and fine organization by Dick Skinner, Wilf Appel and Bernie Kash, contributed to the evening's success. Prizes totalling close to $150 were donated by the local Gulf Canada and Royalite T.B.A. depots. Thor Hansen prints were presented to the best dressed Bonnie, Bev Bint; and Clyde, Wayne Hleucka.

CALGARY'S BEV BINT, WAYNE HLEUCKA
Bonnie and Clyde took the prize legally

PLACE VILLE-MARIE

Elected at the Quebec Division Employees' Association's general meeting were André Gourd, president; Gilles Turcot, Louis Ouellette, vice-presidents; Don Bowen, treasurer; and Lise Page Lefebvre, Suzanne Pinard, secretaries. Others elected were committee chairmen Michel Dallaire, Denise Gobeil, Jeannette Balandis, Michel Laparé, Kay Poirier, Claude Rivest, William Sickini and Michel Woods; committee secretary Sharon Harris; executive representative Freeman Henry; general representatives Michel Breton, Monique Carrière, Anthony Chenel and Yvon Hardy; and district representatives Frederick Cowell, Ottawa; Anita Doucet, Sherbrooke; Edward Foy, Outremont; Jean Paul Gosselin, Montreal East Depot; Paul Guillemette, Rimouski; Roger Michaud, Quebec; and Laurent Sheehy, Montreal East Garage.

Man and His World is still alive and well and living in Montreal, and the Employees' Association is again helping the cause by selling seasonal visas . . . A swinging band under the baton of Employees' Association president André Gourd launched the Federated Appeal of Greater Montreal. Division manager Cliff Bebee jumped on the bandwagon at each whistle stop through the various Gulf Canada and Shawinigan offices to encourage employee participation.

Elus lors de l'assemblée générale de l'Association des employés de la division du Québec: André Gourd, président; Gilles Turcot, Louise Ouellette, vice-présidents; Don Bowen, trésorier; et Lise Page Lefebvre, Suzanne Pinard, secrétaires. Egalement élus comme présidents de comités: Michel Dallaire, Denise Gobeil, Jeannette Balandis, Michel Laparé, Kay Poirier, Claude Rivest, William Sickini et Michel Woods; Sharon Harris, secrétaire de comité; Freeman Henry, représentant exécutif; Michel Breton, Monique Carrière, Anthony Chenel, et Yvon Hardy, représentants généraux; et représentants de district: Frederick Cowell, d'Ottawa; Anita Doucet, de Sherbrooke; Edward Foy, d'Outremont; Jean-Paul Gosselin, du dépôt de Montréal-Est; Paul Guillemette, de Rimouski; Roger Michaud, de Québec; et Laurent Sheehy, du garage de Montréal-Est.

Terre des hommes rouvre ses portes à Montréal, et l'Association des employés y contribue encore par la vente de visas saisonniers . . . Un orchestre entraînant sous la direction d'André Gourd, président de l'Association des employés, a donné le départ de la campagne des Fédérations du Grand Montréal. Cliff Bebee, directeur divisionnaire, a encouragé les employés à participer à la campagne aux différents bureaux de Gulf Canada et de Shawinigan.

PEOPLE & PROGRESS

Salute to Service

May 1969

40 YEARS
Marketing: E. A. Walton, Quebec Division; Benjamin Robertson, Prairie Division.

35 YEARS
Manufacturing: J. A. Beaulne, Montreal East Refinery; C. T. Taylor, Clarkson Refinery; V. P. Secret, Moose Jaw Refinery.

30 YEARS
Executive: J. W. Morgan, H.O. **Marketing:** C. G. Walker, G. S. Sutton, H.O.; S. J. Hill, Prairie Division. **Manufacturing:** H. W. Collister, Brandon Refinery; D. J. Shelley, Calgary Refinery.

25 YEARS
Executive: R. E. Harris, vice-president, H.O. **Marketing:** P. E. Monaghan, Quebec Division; F. H. Walton, Prairie Division. **Manufacturing:** D. R. Jannaway, H.O.; M. W. Dunais, J. P. Paquette, Montreal East Refinery. **Treasury/General Services:** R. J. Hopkin, H.O. **Accounting and Data Processing:** C. C. Day, H.O. **Research Centre:** N. R. Bays, R. E. Hanson.

20 YEARS
Marketing: J. F. Royle, W. A. Snow, Ontario Division; R. C. Condon, Prairie Division. **Manufacturing:** G. L. Greene, L. L. Martineau, E. T. Pawsey, G. G. Pride, J. S. Scott, Montreal East Refinery; Michael Kuchapski, H. E. Larson, J. R. Muldoon, Albert Twast, Saskatoon Refinery; R. W. Becker, Edmonton Refinery; E. D. Simpson, Kamloops Refinery; K. C. Reeves, Quebec Division. **Treasury/General Services:** J. L. Carey, H.O. **Production:** C. C. Brace, Stettler; F. A. Thompson, Pincher Creek; T. F. Walker, Edmonton. **Exploration:** W. A. Hiles, R. N. Taylor, Calgary. **Supply and Transportation:** D. G. Hird, H.O.; H. S. Baker, Mid-Saskatchewan Pipe Line. **Systems/Co-Ordination:** D. R. Allan, H.O. **Research Centre:** R. W. Rogers.

15 YEARS
Executive: Violet Cooper, H.O. **Marketing:** Maurice Castonguay, Marcel Pomerleau, R. J. Chalifoux, Quebec Division; D. H. Lowry, R. C. Nicholson, Ontario Division; V. V. O'Reilly, Prairie Division; V. C. Johns, O. J. Keays, K. R. Lipsett, Pacific Division. **Manufacturing:** G. O. Martel, Montreal East Refinery; William Houghton, Clarkson Refinery; William Marushak, D. K. Moncur, Saskatoon Refinery; M. K. Johnson, Edmonton Refinery; **Treasury/General Services:** D. H. Lounsbury, Calgary. **Production:** A. B. Chanin, J. E. Buchholz, R. K. Craig, V. M. Eshleman, Calgary, **Exploration:** L. E. Gwillim, R. B. Thomas, Calgary. **Law:** Louisa Topham, Calgary. **Corporate Planning and Economics:** John Ziuraitis, H.O.

10 YEARS
Marketing: J. A. Tremblay, Ontario Division. **Manufacturing:** D. R. Gray, J. E. Riesberry, Clarkson Refinery; R. A. Pettitt, Calgary Refinery; Anne Cerula, Montreal. **Production:** A. B. Gray, D. R. Motyka, Calgary. **Systems/Co-Ordination:** N. C. Davies, Montreal.

Appointments

MARKETING:
André Corneille is appointed manager, Quebec Division; **C. R. Bebee** is appointed manager, Prairie Division; **S. F. Ralph** is appointed co-ordinator, distribution planning, Head Office; **D. R. Nelson** is appointed co-ordinator, retail marketing, Head Office; **G. C. Watson** is appointed manager, planning and development, Head Office; **J. C. Renaud** is appointed area supervisor, private brand sales, Quebec and Ottawa Valley, Head Office, Montreal; **Lucien Duperron** is appointed representative, private brand sales, Head Office, Montreal; **L. J. MacKenna** is appointed consumer marketing representative, Cape Breton Island, Atlantic Division; **J. E. Cormier** is appointed consumer marketing representative, northern New Brunswick, Atlantic Division; **R. W. Davison** is appointed metro marketing representative, Halifax, Atlantic Division; **L. J. Pinkham** is appointed manager, operations, Quebec Division; **C. H. Hudon** is appointed manager, retail marketing, Quebec Division; **J. W. Greer** is appointed manager, retail marketing, Ontario Division; **W. V. McDermott** is appointed retail sales representative, southwestern Ontario, Ontario Division; **J. D. Noble** is appointed retail sales representative, Hamilton area, Ontario Division; **D. G. Nelson** is appointed retail sales representative, Metro-Toronto area, Ontario Division; **Harold Clarke** is appointed office administrator, London area, Ontario Division; **G. R. Morisset** is appointed marketing representative, retail, Noranda, Ontario Division; **Walter Kordiuk** is appointed marketing manager, Metro-Toronto area, Ontario Division; **G. A. Knapp** is appointed office administrator, Metro-Toronto area, Ontario Division.

SYSTEMS AND CO-ORDINATION:
William Swagar is appointed supervisor, forms control, Head Office; **D. R. Allan** is appointed forms analyst, Head Office; **J. W. Rutherford** is appointed supervisor, applications planning, systems planning section, Head Office; **M. F. Kelcey** is appointed supervisor, facilities planning, systems planning section, Head Office; **C. A. Mein** is appointed supervisor, work program and budgets, systems planning section, Head Office; **J. D. Jensen** is appointed supervisor, manpower planning, systems planning section, Head Office.

Servico Limited:
J. A. F. Deschamps is appointed zone manager, Home Comfort Centres (Eastern), Lachine, Quebec; **R. B. Brown** is appointed metro marketing representative, Edmonton; **P. J. McKeating** is appointed zone manager, direct retail, Ontario; **K. G. Loughlin** is appointed administrator, direct marketing, Head Office; **V. E. Bracka** is appointed zone manager, Quebec.

Western Tire:
R. F. Fyffe is appointed vice-president and general manager; **W. G. Winters** is appointed manager, special projects; **C. W. Bennett** is appointed vice-president, merchandising; **J. R. Mitchell** is appointed vice-president, franchise operations; **Fulton Robinson** is appointed vice-president, administration and finance.

MANUFACTURING:
William Jack is appointed co-ordinator, budgets and analysis, Head Office; **E. A. Waters** is appointed construction inspector, Point Tupper construction, Head Office; **G. L. Clark** is appointed welding inspector, Point Tupper construction, Head Office; **R. D. Barrie** is appointed construction accountant, Point Tupper construction, Head Office; **R. M. Britten** is appointed construction engineer, Point Tupper construction, Head Office; **W. N. Zawadski** is appointed construction engineer, Point Tupper construction, Head Office; **J. R. Forsdike** is appointed construction engineer, Edmonton construction, Head Office; **N. A. Kaasten** is appointed planning analyst, operations, planning section, Head Office; **D. P. Thorne** is appointed welding foreman, maintenance section, Clarkson Refinery; **Heino Luik** is appointed utilities superintendent, Clarkson Refinery; **J. E. Devai** is appointed operating superintendent, Clarkson Refinery; **M. E. LeClerc** is appointed superintendent, engineering and maintenance, Moose Jaw Refinery; **H. W. Collister** is appointed

André Corneille

C. R. Bebee

maintenance supervisor, Moose Jaw Refinery; **P. H. Tomlinson** is appointed supervisor, accounting, Kamloops Refinery.

PRODUCTION:
R. E. Pauls is appointed manager, gas engineering, Calgary; **R. J. Hood** is appointed superintendent, Rimbey Gas Plant.

PLANNING AND ECONOMICS:
Paul Verba is appointed senior analyst, planning and forecasts section, Head Office; **J. M. Beddome** is appointed to the special projects section, Head Office.

EMPLOYEE RELATIONS:
A. B. Chanin is appointed manager, employee services, Calgary; **N. L. DeVos** is appointed manager, employee services, Toronto; **Jean Dessaulles** is appointed manager, employee services, Montreal.

Deaths

It is with deep regret that we report the following deaths:
Mary Ena Davies, Clarkson Refinery, 13 years' service, March 18; **L. M. Crook,** retired, Calgary Refinery, 31 years' service, March 29; **H. F. Drapeau,** retired, Quebec Division, 37 years' service, April 20; **William Millar,** retired, Montreal East Refinery, 21 years' service, April 7.

Sympathy is extended to:
Wilma Cullen, Accounting Department, Prairie Division, on the death of her father; **G. F. Wolf,** machine processing, Calgary, on the death of his father; **Arne Honkanen,** Exploration Department, Calgary, on the death of his father; **Blair Towill,** Exploration Department, Calgary, on the death of his father; **Charles Millions,** Production Department, Rimbey Gas Plant, on the death of his father; **John Friesen,** Production Department, Nevis Gas Plant, on the death of his father; **Irmgard Weihmann,** Exploration Department, Calgary, on the death of her mother; **D. J. Hirsch,** Marketing, Prairie Division, on the death of his father; **Ruby Freeman,** controls and balancing section, Montreal Data Centre, on the death of her father; **Gabriel Bouchard,** Rimouski, Quebec Division, on the death of his mother; **Jean Roy,** Shawinigan Chemicals, on the death of his father; **George Spratt,** Marketing, Ontario Division, on the death of his father; **Pearl Huffman,** Marketing, Ontario Division, on the death of her mother; **W. J. Harman,** joint interest unit, Montreal Data Centre, on the death of his father; **Bert Wolf,** computer operations, Montreal Data Centre, on the death of his father; **G. S. Smith,** sales pricing unit, Calgary Data Centre, on the death of his father.

Retirements

G. E. Garlick, Ontario Division. Mr. Garlick joined Gulf Canada in 1926, and at retirement was branch superintendent; **E. H. Reeve,** Treasury and General Services, Head Office. Mr. Reeve joined Gulf Canada in 1951, and at retirement was janitor; **G. A. Stenerson,** Montreal Refinery. Mr. Stenerson joined Gulf Canada in 1949, and at retirement was tradesman # 2; **E. A. Walton,** Quebec Division. Mr. Walton joined Gulf Canada in 1929, and at retirement was senior clerk; **C. E. Young,** Kamloops Refinery. Mr. Young joined Gulf Canada in 1955 and at retirement was stores supervisor; **H. A. Gratton,** Brandon Refinery. Mr. Gratton joined Gulf Canada in 1939 and at early retirement was laboratory foreman: **F. R. Hockley,** Brandon Refinery. Mr. Hockley joined Gulf Canada in 1952, and at early retirement was helper; **J. M. Mearns,** Brandon Refinery. Mr. Mearns joined Gulf Canada in 1948, and at early retirement was craftsman # 1; **Paul Petit,** Brandon Refinery. Mr. Petit joined Gulf Canada in 1937, and at early retirement was painting foreman; **Charles Poets,** Brandon Refinery. Mr. Poets joined Gulf Canada in 1953, and at early retirement was watchman; **F. S. Raymond,** Prairie Division. Mr. Raymond joined Gulf Canada in 1941, and at early retirement was marketing supervisor; **W. L. Smart,** Toronto Data Centre. Mr. Smart joined Gulf Canada in 1952, and at early retirement was senior clerk; **L. K. Stewart,** Brandon Refinery. Mr. Stewart joined Gulf Canada in 1951, and at early retirement was loader; **C. A. Webster,** Brandon Refinery. Mr. Webster joined Gulf Canada in 1939, and at early retirement was shift supervisor; **D. M. Binns,** Turner Valley Gas Plant. Mr. Binns joined Gulf Canada in 1930, and at early retirement was operator # 1; **L. R. Collins,** Turner Valley Gas Plant. Mr. Collins joined Gulf Canada in 1944, and at early retirement was repairman # 1; **V. N. McCormick,** Manufacturing, Head Office. Mr. McCormick joined Gulf Canada in 1949 and at early retirement was committees secretary; **Andrew Rusek,** Clarkson Refinery. Mr. Rusek joined Gulf Canada in 1944, and at early retirement was plant utilityman.

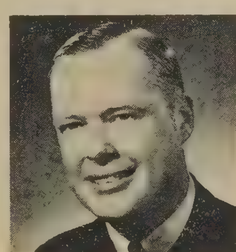
People in the News

J. J. Bell, senior warehouseman, Perkins' Glue, has been elected second vice-chairman of the Forest Products Research Society, Eastern Canadian section; **H. L. Burkett,** representative, Transportation Department, Vancouver, is chairman of the B.C. division of the Canadian Industrial Traffic League; **W. I. Stevens,** general manager, Production Department, Calgary, is director of the Alberta division, Canadian Petroleum Association; **Joseph Wesnoski,** yardman loading hand, Saskatoon Refinery, has been elected vice-president of the Oil, Chemical and Atomic Workers Union's Saskatchewan area council; **A. D. Tupper,** engineer construction field, Point


G. C. Watson

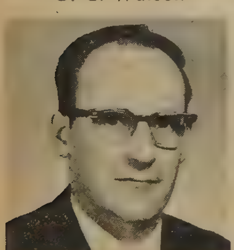

R. F. Fyffe

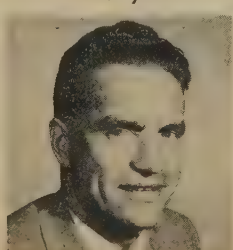

W. G. Winters


C. W. Bennett

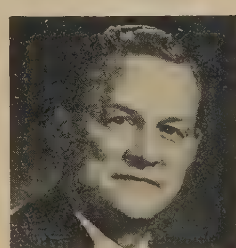

J. R. Mitchell


Fulton Robinson


R. E. Pauls


R. J. Hood


J. M. Beddome


A. B. Chanin


N. L. DeVos


Jean Dessaulles

Tupper Refinery, served as chairman of the oratorical contest for the Port Hawkesbury Rotary Club; **J. G. Gainer,** senior engineer, Production Department, Calgary, presented a paper entitled *Canadian Air Pollution Regulations and the Sour Gas Process Industry* at the Natural Gas Processors Association convention in Dallas, Texas; **D. H. Kyle,** senior analyst, Planning and Economics Department, Head Office, was named Sportsman of the Year by the Calgary Booster Club; **P. J. Downing,** operator # 1, Clarkson Refinery, has received a certificate of award from the Washington School of Art.

PUBLIC RELATIONS

Archivist Bill Prueter is out of school and back with the Company in a full-time capacity for the summer. He visited Montreal recently in search of significant Shawinigan Chemicals material. Bill will also be working on Royalite records this summer . . . Photographer Ron Sculthorp's fast-moving Gulf Canada film had its premiere at the Company's annual meeting in Toronto on May 15 . . . Film librarian Verna Adare attended the Niagara Falls premiere of *Niagara Frontier*, a new 20-minute color film about the famous falls. Co-sponsored by Gulf Oil Corporation and Eastman Kodak Company, the film is available for public and TV showing in the U.S. and Canada. Company film libraries in Toronto, Montreal, Halifax, Calgary and Vancouver are handling prints for free rental . . . *Commentator's* coverage of the Company's amalgamation and name change has been cited for an award of merit in the American Association of Industrial Editors Gold Quill award program. Editor Wally Court received the award at the group's annual convention in Toronto . . . Fern Sobel spent one week vacationing in Washington, D.C., then, soon after, another in bed with a 'flu' virus. Alida Schriel became the second department member on crutches after damaging ankle ligaments in a fall. Her boss, information supervisor Bob Vallance, needed his for a broken leg.

SUPPLY AND TRANSPORTATION

Head Office: Best wishes to South African Pam Isted, returning home to get married. Pam was lunched at the Hot Stove Lounge and presented with an ornamental glass bowl . . . Ron Cameron received his 20-year service pin at an Old Angelo's luncheon . . . Some 36 friends of Betty Maloney attended a marriage shower in her honor hosted by Marilyn Cornish.

Pat Lewis, president of the Desk and Derrick Club of Toronto, has been busy helping organize the club association's Region One Annual Meeting at the Park Plaza Hotel, Toronto, May 31, June 1. The region's only Canadian member, the Toronto club is part of a North American-wide association which helps promote among women employees in the petroleum and allied industries a clearer understanding of the industry they serve. Pat is Harry Henson's secretary.

PRESIDENT HAY, JOCK THOMAS
Kamloops' second consecutive award

Calgary: Jack and Mrs. Keith spent two enjoyable weeks holidaying in Hawaii . . . Bob Turner was rushed to hospital with what he thought was the 'flu' bug. It was in fact a ruptured appendix. He's back now after a three-week lay-off . . . Star bowler Don Sim finished third in the Canadian Bowling Championships singles competition at Fort William . . . Don McRobb was kept busy as program chairman for the Propane Gas Association of Canada's Western convention in Calgary . . . The Florian Duh family have been helping a young Czechoslovakian couple settle in Canada.

EMPLOYEE RELATIONS

Head Office: Bob Bacon has been transferred to Montreal Refinery as supervisor, personnel and training . . . Welcome to Jim Roode from marketing as co-ordinator, corporate manpower; also to Bill Baker from Montreal Refinery as labor relations analyst, replacing Bob Bacon . . . After several years on the third floor, the health centre has moved to quarters on the eighth floor.

PIPE LINE

Head Office: Marg Best vacationed for ten days in Montserrat and Antigua.

PRESIDENT'S SAFETY AWARD

Six in a Row

Attempting to clear a line, an Estevan production employee got in the way of a plug of oily wax when the line let go and suffered extensive bruises. That was in May, 1963. Estevan Area hasn't had a lost-time accident since.

At midnight, April 30, area employees qualified for their sixth consecutive President's Safety Award, matching Longview's record achieved during the early Fifties. The award represented 2,190 accident-free days or approximately 676,800 man-hours. Board Chairman Clarence Shepard made the presentation to area manager Jim Strain in a May 2 ceremony.

Earlier in April, Kamloops Refinery employees qualified for their second consecutive President's Safety Award. It was also the refinery's second award since changing from Royalite to B-A in 1964. President Charles Hay was on hand to present the award during an April 26 party honoring retiring long-service employees Archie Blacklock and Cy Young.

April's two awards brought the year's total to five, compared with six during the first four months of 1968.

Figures to March 31, 1969

Unit	**Days Credited**
Port Moody Refinery	111
Kamloops Refinery	344(c)
Edmonton Refinery	33
Calgary Refinery	329(b)
Saskatoon Refinery	125(e)
Moose Jaw Refinery	21
Montreal East Refinery	10
Pacific Division	10
Prairie Division	10
Quebec Division	14
Atlantic Division	115
Pipe Line	83(f)
Rimbey Unit	128
Stettler Unit	269(d)
Pincher Creek	112
Edmonton Unit	42
Estevan Unit	335(a)
Turner Valley	60(g)
Nevis-Morrin	41
Research Centre	46(h)
	Hours Credited
Clarkson Refinery	331,693
Ontario Division	15,463

(a) . . . . 2,160 consecutive days
(b) . . . . 1,059 consecutive days
(c) . . . . 711 consecutive days
(d) . . . . 634 consecutive days
(e) . . . . 490 consecutive days
(f) . . . . 448 consecutive days
(g) . . . . 425 consecutive days
(h) . . . . 424 consecutive days

Head Office reservations clerk Sybil Gilbert displays old B-A Bearer Share Warrant issued in 1930.

THE CASE OF THE MISSING SHARES

Buried or hidden treasure does not have to be in the form of ancient coins or pirates' gold – like the elusive hoard of Captain Kidd. Right now, in some unsuspected place, in an attic, among old papers or in a rusty strong box, there's over $14,000 worth of B-A Bearer Share Warrants and coupons waiting discovery. They might even be buried in the ground.

"During the last war many Europeans buried valuables in their gardens," says Bill Jackson, who is in charge of Gulf Canada's stock transfer section.

Bill has the onerous job of keeping account of the dividends of the missing Bearer Share Warrants should someone turn up to cash them in.

Bearer Share Warrants were first issued by B-A in June, 1919, when the Company, following the trend of other companies, offered them in place of Registered Share Certificates.

The Warrants were printed in fixed denominations – from one to 1,000 share values – each in a different color. Affixed to the ornate body of the Warrant was a series of coupons, similar to present day Government Bond coupons, to be cashed in for dividends. Identification was in the form of a number which appeared on each coupon and warrant.

Bearer Share Warrants facilitated the transfer of stock from one owner to another because they did not carry the owner's name – nor was the owner's name carried in the Company's books. However, this convenience made them as negotiable as money.

The Warrants could be sold but, if lost or stolen, it was like losing

MISSING SHARES

1

2

a bag of money. Even if a record of the number of the Warrant had been kept, ownership was difficult to prove.

In 1919, when the first Warrants were issued, B-A was concentrating on enlarging its Toronto Refinery and expanding marketing operations throughout Ontario and Quebec. The automobile was not yet being mass-produced, and the Company's big sales were in kerosene for lamps and lubrication oil.

The years following the first World War saw wide expansion for B-A. The Company had begun to flourish in time to meet the needs of a new expanding industry – automobile production.

It seemed as though this all-Canadian company, producer of American standard petroleum products, and founded by Albert LeRoy Ellsworth of Welland, Ontario, in 1906, was destined to grow.

Between 1919 and 1930, when the second group of Bearer Share Warrants was issued, B-A extended operations to the Prairies and was investing Canadian capital in the United States where the Company was actively engaged in exploration for more oil to satisfy increasing consumption. With the automobile came the corner service station – sales were good – B-A shares rose and split, 2 for 1.

The upheaval in Europe, caused by World War I, prompted many European investors to look toward the stable economy of North America for solid, sound investments. B-A, consequently, counted many foreign investors among its shareholders. In fact, at one time, the second largest shareholder was in France.

With the outbreak of World War II the Canadian Government began to discourage the circulation of unregistered share certificates. The reasons were sound: it was unwise to allow unregistered stock to fall into enemy hands; if Warrants were lost or destroyed, due to enemy action, owners had no way to recover their loss. A grave disadvantage to industry appeared possible if unscrupulous persons gained control through the mass purchase of Bearer Share Warrants. And with the Warrants unregistered, Company management would be unaware of any attempted take-over. The tightening-up of income tax collection was tantamount to the calling-in of Bearer Share Warrants.

Consequently, in 1940, B-A advertised that all Bearer Share Warrants would be replaced with Registered Share Certificates. These certificates not only allowed a careful record to be kept of the owner's name and address and other ownership information, but also gave the Government immediate help since, as a wartime measure, an income tax levy was deducted from every dividend check paid to Canadians.

During the war years, payment of dividends to shareholders in Europe was discontinued by Government order to prevent the money falling into enemy hands.

It had been hoped that all the unregistered certificates would be turned in, but it was not to prove that simple. Despite the recall of the Bearer Share Warrants in 1940, many were still outstanding at war's end. Where the missing Bearer Share Warrants were, or who owned them, was a mystery.

After the second World War, the Company's growth continued. In 1946, Newfoundland became a new sales territory. In the West, after a 40-year oil hunt in Alberta, the fabulous oil treasure of Leduc gushed forth – bringing a new impetus to an already buoyant industry.

The 1950's, not only witnessed the opening of the Company's new head office in Toronto and the opening of Edmonton Refinery, but saw the stock rise again to a point that prompted the Company to declare a two-for-one split.

By this time, the treasury section had developed a very modern up-to-date system for handling share transactions. But despite the fact that all of the 1919 issue of Bearer Share Warrants had

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Former Company share certificates now on file in the Gulf Canada archives include (1) the Bearer Share Warrant of 1930; (2) 1947; (3) 1951; (4) 1956; (5) 1969. New certificate (6) represents break from traditional design.

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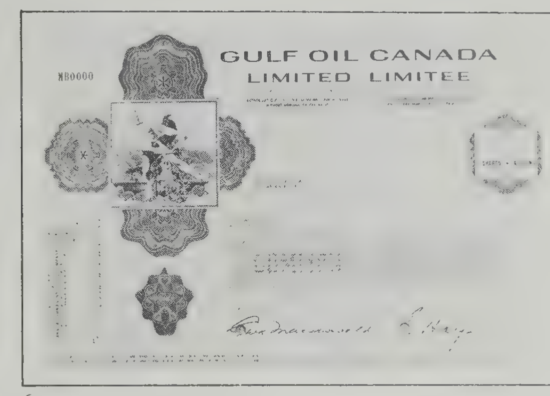

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been exchanged for registered share certificates, a number of Bearer Share Warrants of the 1930 issue were still outstanding.

In 1957, four Bearer Share Warrants, for 25 shares each, were handed in at Montreal. They had been purchased by the deceased owner in 1934 at about $15 per share for a total purchase price of $1,500. With the stock split of 1951 and the accumulated dividends, their value had increased to close to $11,000 – a capital appreciation of 450 per cent.

Since 1919, the Company has not missed a dividend. Preferred share dividends had been paid from 1913 to 1919 – at that time preferred shares were exchanged for common shares. During the phase of the Bearer Share Warrants, advertisements were placed in newspapers requesting holders to exchange their coupons for dividends. When coupons ran out, the Company replaced them with a set of 20 new ones.

Today, while the more than 27,000 shareholders who own Gulf Canada are serviced by modern data processing centre equipment, the enigma of the missing Bearer Share Warrants remains a continuing problem for Bill Jackson's stock transfer section. It's a problem that might never be solved.

According to Bill, the money cannot be turned over to the Government like an unclaimed bank account since Gulf Canada is owned by shareholders and this is shareholder money. The alternatives are to open a bank account for dividends due the missing Warrants or set the money involved up as a liability to be carried in the Company's home funds – as money owed.

Bearer Share Warrants still missing include one for five shares, four for ten shares, two for 25 shares, all of the 1930 issue. With the splits in 1951 and 1969 they now represent 380 shares – with a current value, plus dividends, of about $15,200. But for Bill Jackson it's a $15,200 headache, one that's growing larger each year.

GULF CANADA SHARE CERTIFICATES HAVE BUILT-IN PROTECTION

"Registered Share Certificates offer shareholders far more protection than the old Bearer Share Warrants," says Bill Jackson.

Each year about a dozen Registered Share Certificates are reported stolen, lost or mislaid. Because Gulf Canada carries an up-to-date record of all Registered Share Certificates, a streamlined procedure goes into operation as soon as a share certificate is reported missing.

Firstly, the shareholder must present reliable information to prove the certificate belonging to him has been lost. Immediately, the stock transfer section informs Gulf Canada's nine transfer agents across Canada and in New York, of the serial numbers and registration of the missing certificates, and transfer of missing stock is stopped.

To replace Registered Share Certificates the owner has to obtain a Surety Bond through a bonding company at a cost of six per cent of the market value of the missing certificates. This, with proof of the loss, is then forwarded to Gulf Canada's Corporate Secretary. With this formality complete, the Secretary authorizes the Canada Permanent Trust Company to issue new Registered Share Certificates to replace the missing ones.

Although there have been many thefts from safety deposit boxes in recent years, no stolen Gulf Canada Registered Share Certificates have ever been presented for transfer.

"Fortunately, most Registered Share Certificates reported missing turn up before they are replaced," says Bill, "but if certificates are replaced we carry information regarding missing certificates for future reference."

FOR THE INVESTOR, PROOF OF OWNERSHIP IS

THE SHARE CERTIF

CATE

Above: Canadian Bank Note vice-president Alfred Bouchette uses enlarging glass to check vignette on old Company stock certificate.

Left: Vignette engraver Yves Baril works with high-power microscope and mirrored image to create steel engraving.

"We're mighty proud of Gulf Canada's new stock certificate," said Alfred Bouchette, vice-president of The Canadian Bank Note Company in Ottawa, "not just because we produced it, but because it's so unique."

Alfred should know. In 45 years with the company, he's seen a lot of stock certificates.

"Companies issuing stock must follow certain rules to ensure them against the possibility of counterfeiting," explained Alfred. Certificates must be printed in two colors from two steel plates. And they must contain some lathe work. These ornamental line work designs are not only difficult to reproduce, but the proximity or distance between lines also creates subtle differences in tonal density.

The engraving process itself contains built in protection. The most primitive form of printing in the world, it cannot be duplicated by a camera. Nor can it be reduced or blown up in size. This uniqueness provides the ultimate safeguard.

"These are some of the very expensive hurdles that counterfeiters have to overcome," says Alfred.

As one would expect, the production of stock certificates is a very closely controlled and guarded operation. The degree of security however, is astounding.

Entry to the company is through a barred and guarded door, and all windows are barred. But that's just the beginning.

For any job, the company issues a precise amount of the paper necessary for the number of certificates to be printed. And every sheet has to be accounted for before the staff can leave each day. Scrap is destroyed under supervision. It's not as great a hardship as it might seem. The routine is so controlled that a complete check can be run in just seven minutes.

"Even so, I remember one night I received a call from the office at 10 p.m.," says Alfred. "Two sheets of paper were missing and the staff was waiting to go home. I hurried down and, after a brief search, recalled having seen two employees talking in one corner of the office during the day. One had some paper in his hand. We went over to the area and, sure enough, on top of a filing cabinet were the two missing sheets."

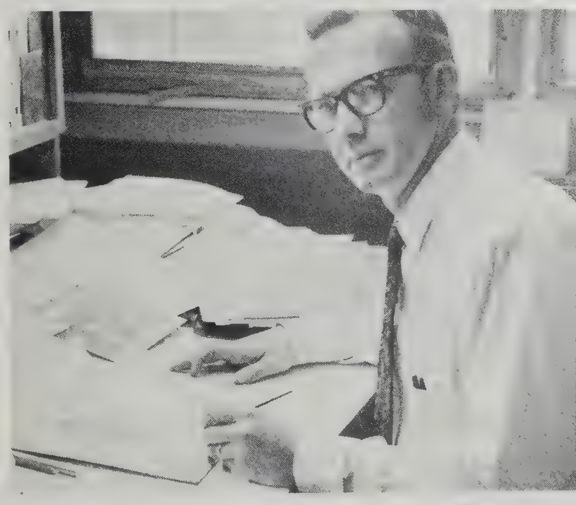
When the subject of new stock certificates came up, Gulf Canada officers decided that they too should be redesigned to reflect the new organization.

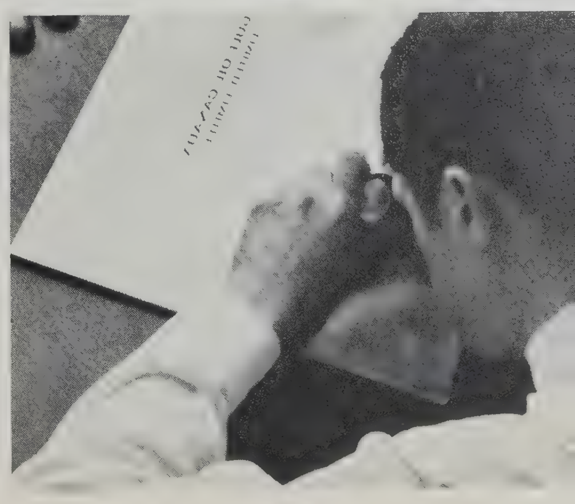
Canadian Bank Note designer Harvey Prosser accepted the assignment with pleasure. "In this business you don't get an opportunity like this very often. Most companies want their certificates in the traditional style . . . with the impressive ornamental lathework border. We've omitted this on Gulf Canada's certificate to give it the open look of contemporary graphic design."

The new certificate features a powerful, active vignette depicting an allegorical figure that looks a lot like Chicago Black Hawk

Below: Designer Harvey Prosser welcomed the opportunity to depart from standard stock certificate design.

Bottom: Script engraver Gordon Nash huddles over steel plate that carries lettering.





THE SHARE CERTIFICATE

Bottom: Vignette engravers (l) Al Carswell and Yves Baril have worked together for 17 years. Al executed vignette for B-A's 1956 certificate.

star Bobby Hull turning a pipe line valve. "Just a coincidence," says Harvey. "That particular vignette was in existence long before Bobby Hull was born."

The vignette is the most difficult element of the certificate to reproduce. Talk to Canadian Bank Note's picture engravers Yves Baril and Al Carswell, who have both been at it for some 17 years, and you find out why.

An original vignette, which costs some $5,000, takes between four and six months to complete and bears the distinct mark of its creator – just like a fingerprint. Since everything must be engraved into the plate in reverse, Yves and Al work backwards, taking their artistic cues from a mirrored reflection of the artist's original design.

Vignette engraving is something of an exclusive profession. Yves and Al are the only two such craftsmen employed by Canadian Bank Note. In fact, Al did the original vignette for the B-A certificate that was issued in the mid-1950's.

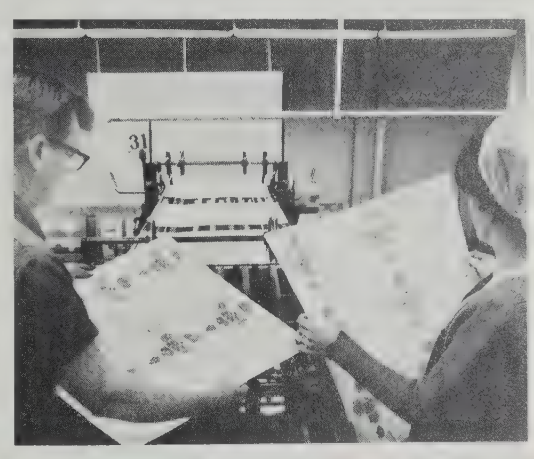
Script engraving, another painstaking profession, is also made even more complicated because it too is done in reverse. Gordon Mash has done so much of it he can probably write faster backwards than forwards. "I understand that this is your Company's first bilingual certificate," he said without looking up from his work.

"A funny thing about steel plate and script engravers," said Alfred as the massive front door swung open to allow us to leave, "No matter which side of the law they're on, the best are behind bars."

Left: Every visitor to Canadian Bank Note Company is given security check by guard Carl Bruer before being admitted.

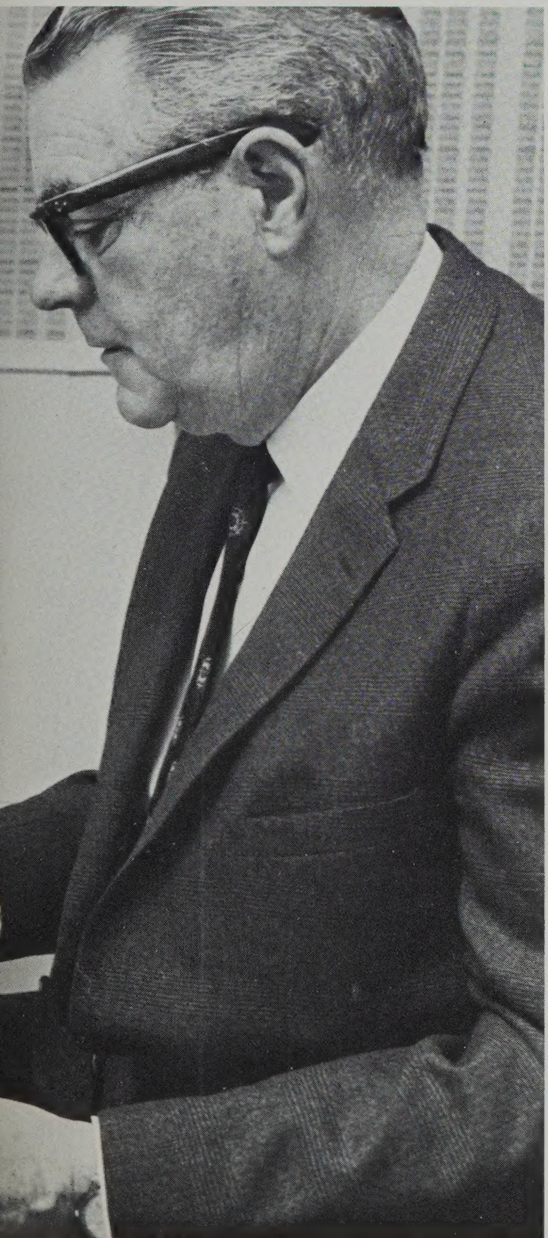
Below: Once the engraving plates are completed and approved, the printers take over. Gulf Canada's original order was for 100,000 certificates.

Bottom: Enlargement of vignette from 1951 certificate shows tremendous detail work required to engrave scene that depicts Company's early Toronto refinery.



Right: While there are many new stock market games available in the U.S., none can match the popularity of Stock Ticker, invented by Canadians Jerry Collins and George Cranston (below) in 1936.

PLAYING THE STOCK MARKET



Want a safe and entertaining introduction to stock market activity? Then pick up a parlor game based on market operations.

Mind you, you won't learn anywhere near all there is to know about investing by playing a game, but you will wind up with a reasonable idea of how the market works. From there, we'd suggest you take one of the short-courses offered by stock broker firms.

There's an elusive relationship between the real stock market and the parlor game. In fact, some people feel the essential feature of the stock market is that it is a sort of super game.

To them, the stock market is not so much a source of income as a fountain of fun. And you don't really have to lose money. Some "investors" choose, buy and sell stocks in their own imaginations.

Perhaps, because the stock market is a game itself, the parlor games based upon it have not – on the whole – been much of a success.

However, right now interest in the stock market is at a high, both in Canada and the United States, and, significantly, there is a corresponding interest in stock market games.

One that has stood the test of time is Pit. Pit was invented in 1906 in the United States and soon became so popular that it challenged the craze for ping-pong, or table tennis, then in full swing.

Based on the commodity market (wheat, oats, barley, etc.) rather than the stock market itself, Pit is played with cards which are exchanged among players, the idea being to "corner" a commodity. It is still a good game, especially for five or six people, provided there aren't any children sleeping in the next room.

Another successful game is Stock Ticker. Undoubtedly the most popular stock market game ever invented, it's strictly Canadian. Distributed by Copp Clark of Toronto, it sells up to 25,000 a year without promotion or advertising. And it has never been introduced to any country other than Canada.

Stock Ticker came about in 1936 in the mind of a paint salesman of the Robert Simpson Co. Ltd., Jerry C. Collins, now with Sherwin Williams Paint Company of London, Ontario.

"I was lying in bed one night and I couldn't sleep," he says. "I had never been particularly interested in games. But somehow I thought of this one. So I got up right away. My wife found me downstairs drawing symbols on sugar cubes . . . things like 'Dividend' and 'Up 5' and 'Down 10'. She thought I'd gone mad."

It was profitable madness. Collins called a friend of his, George Cranston, in the printing and paper box business. Together they worked out details of the game and arranged marketing through Copp Clark on a royalty basis.

"Although the game has never been promoted much, it has always been successful. I think the reason is that the players have a choice of what they can buy and sell. One may buy gold, another sell it. One makes money, another loses on the very same stock, depending when they bought and sold. Another of the game's realistic features is that you make money off dividends and not on price increase alone.

"People meet and play 'Stock Ticker' as small clubs and one time a salesman told me he attended a sales meeting up north where the salesmen played tournaments of 'Stock Ticker' in their off-hours. When I told him I invented the game, he wouldn't believe me."

In Canada, there are few stock market games and no new ones as yet. "Rich Uncle", a Parker Brothers game, and "Break the Bank", a Copp Clark game; have both been recently discontinued, probably victims to the indestructible popularity of Stock Ticker.

But in the United States, a spate of stock market games have come on the market.

There are Walstrete Transaction, Buy and Sell, Corner, Acquire, Stocks and Bonds, Stock Market, Broker, and Tycoon.

The most realistic is probably Transaction, in which players evaluate technical indicators and company data before buying and selling. The most expensive is Corner, which is electrically operated, is programmed like an analogue computer, and costs $125.

IF YOU'RE AN EMPLOYEE YOU CAN INVEST FREE IN GULF CANADA'S

SAVINGS PLAN

Without doubt, the safest and easiest way for a Gulf Canada employee to begin investing is to participate in the Company's Savings Plan.

The Plan's basic operation is simple. For every dollar you invest – in amounts of either one, two, three, or four per cent of your salary to an annual maximum of $800 – Gulf Canada contributes 50 cents. However, there's really more to it than that. And whether you're a member of the Plan or not, you owe it to yourself to know how it operates.

Any employee, provided he has been with Gulf Canada for at least six months and is enrolled in the Pension Plan, can join the Plan. Simply drop in to your personnel office and fill out a Savings Plan Authorization Form.

Once you're a member, Gulf Canada sets up two accounts in your name to record (a) your contributions, and (b) the Company's portion. As funds are received from both sources, the Plan's administrative trustee – Canada Permanent Trust Company – purchases Government of Canada bonds with your contribution and Gulf Canada shares with the Company's portion. These shares are credited to your second account.

Each year, as these investments accumulate, the interest and dividends, together with personal and Company contributions for the current year, are used to purchase additional bonds and shares which are credited to the appropriate account.

For record purposes, each calendar year is termed a "plan year." On December 31, the current plan year becomes a "completed plan year." And after two years, a completed plan year becomes a "matured plan year." For example, 1969 is the current plan year, 1968 and 1967 are now completed plan years, and 1966 the most recent matured plan year.

The significance of all this is that, while the employee's contribution plus accumulated interest can be withdrawn at any time, either all or in part, the Company's contributions cannot be claimed until they form part of a matured plan year.

Employees withdrawing from a completed plan year and/or from the current year automatically forfeit their claim to the Company's contributions for the current year plus the shares in the affected completed plan years. These in turn, are re-distributed among the remaining Plan members at the end of the year on a percentage basis determined by their total contributions to December 31.

Employees withdrawing from their matured plan years do not suffer this penalty. They receive their contributions and accumulated interest in cash and, at the same time, have their choice of taking the corresponding Company contribution in share certificates or in cash at the current market value of the shares.

Employee Relations' director of benefits, Norm Pady (l), discusses relative advantages of options in Company's Savings Plan with Ron Ramsay, supervisor, benefits administration.

However, in both cases, since the employee is reducing his participation in the Plan, his claim to forfeited stock at the year-end is also reduced proportionately.

Unlike a bank pass-book that can tell you your balance at a glance, the Savings Plan issues only one "Savings Plan Statement of Members' Account" each year. It's mailed out as soon as possible after the December 31 Plan year closing date. On it is listed the employee's and Company's contributions along with interest, forfeitures and dividends. As these last four items represent income, they are recorded under the heading "taxable income," and must be included on your income tax form.

Incidentally, this annual statement is the most accurate and comprehensive account of your position in the Savings Plan and should be retained for reference. Your position in the Plan at year end can be determined accurately and immediately from this statement.

If you've followed our explanation to this point, you should have a good idea of how the Plan operates. However, there's one question that results in a heated discussion every time it's asked. Is there any advantage in leaving money in the Savings Plan once the plan year has matured and the employee receives title to the Company's contribution?

Naturally, there is an advantage when it comes to re-distributing forfeited stock. And your investment is earning interest all the time it is in the Plan. However, whether the money is best left in the Plan or withdrawn depends entirely on the individual and what he plans to do with the money once he makes the withdrawal.

The first thing to consider is the rate of interest you're getting on the matured portion of your investment. Currently, including interest, forfeitures, bond amortization, and dividends, it's approximately nine per cent. Unless you know of a better investment, you'd be wiser to leave your money in the Plan. If on the other hand, you're planning to use the money to pay off a mortgage that carries a higher rate of interest than you're receiving from the Plan, you may be better off to withdraw and reduce the debt. Or perhaps you have some other worthwhile project you'd like to undertake. However, any such comparison should be made on an 'after-tax' basis.

Another point to remember is that once Gulf Canada's contribution is invested in Gulf Canada shares, its value is determined by the whims of the stock market. And while the Company has invested 50 cents on the dollar into the Plan, the amount that the employee eventually receives could be higher or lower, depending on the price paid for the stock and the amount received when it is sold. Incidentally, since 1956 the stock has ranged from a high of $57\frac{7}{8}$ to a low of $24\frac{3}{4}$, with the average cost per plan share at $34.58 before the recent split.

Still, it is well to remember that when the stock is low, the Company's contribution will purchase a greater number of shares, and since shares can be withdrawn in lieu of cash, they can be held for sale until their market value is attractive.

Before You Invest Investigate

Companies with public shareholders must publish an annual report evaluating the success of their operations during the past year.

And they have to include such items as income and expenditure, net profit or loss, and an auditors' report.

It's primarily for the information and protection of shareholders, but it's also a handy tool for prospective investors too.

Most companies will send their latest report on request so you can rate the potential of your considered investment.

A Gulf Canada 1968 report, either in French or English, has already been sent to every employee.

To explain some of the more complicated sections, there's an Employees' Guide to the Annual Report in this month's *Supplement*.

It's ver-rry interesting . . . and profitableble . . . profititble . . . profabilit . . . You might make some money!